S. Hrg. 102-62

FISCAL YEAR 1992 BUDGET REVIEW

HEARINGS

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

MARCH 5 AND 7, 1991

Printed for the use of the Committee on Environment and Public Works

U.S. GOVERNMENT PRINTING OFFICE
41-185 ⇉ WASHINGTON : 1991

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, DC 20402

S321-20.

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FISCAL YEAR 1992 BUDGET REVIEW

TUESDAY, MARCH 5, 1991

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The committee met, pursuant to other business, at 10:00 a.m. in room 406, Dirksen Senate Office Building, Hon. Quentin N. Burdick [chairman of the committee] presiding.

Present: Senators Burdick, Chafee, Warner, Baucus, Lieberman, Moynihan, Graham, Jeffords, Durenberger, Symms, Reid, and Lautenberg.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. The committee will come to order.

Welcome to the committee, Mr. Secretary.

Secretary SKINNER. Thank you, Mr. Chairman.

Senator BURDICK. I'd like to commend you for your hard work on the Administration's highway proposal. You seem to have considered many of the concerns you heard from North Dakota and other rural States.

The highway bill is my top priority in this committee this year. The final bill must balance in each of the rural and urban areas. In other words, we must maintain our farm to market system while we address the problems of the inner city traffic congestion and air pollution.

In the interest of time, I'd like to insert my full statement into the record at this point.

[Senator Burdick's statement follows:]

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

The Environment and Public Works Committee is delighted to welcome Secretary Skinner and Deputy Administrator McCormick today to discuss the Administration's proposed surface transportation legislation and their fiscal year 1992 budget for the Federal Highway Administration. We will also hear from representatives of the Congressional Budget Office and the General Accounting Office.

Among the Committee's top legislative priorities this year is reauthorization of the Federal-aid highway program. The Committee has conducted a series of field hearings in Idaho, Montana, Florida, and Nevada and hearings here in Washington in preparation for reauthorization.

Last year was a remarkable one for the Committee with passage of clean air legislation. Now we must take the next important step and integrate transportation and air quality planning in the new highway bill. While the Administration proposal shows improved linkages between highway and mass transit programs, I am not convinced that it contains solutions to the transportation-related problems of energy consumption, urban congestion, and in particular air quality degradation. For example, it concerns me to see a formula largely based on total highway use of motor fuel at a time when transportation already accounts for a staggering 70 percent of our petroleum consumption.

Frankly, I do not see the strong relationship between the Clean Air Act Amendments of 1990 and the Administration-proposed Surface Transportation Assistance Act of 1991 that is needed to achieve our national air quality goals. More must be done.

The centerpiece of the Administration proposal is the National Highway System concept. While we must begin to think about the post-interstate era, I am not convinced that a 150,000 mile "system of national significance" is the right course. The Interstate has been the flagship of the highway program, and I wonder if it will get the attention it deserves as part of a National Highway System. That expanded system, because of its size, may leave many vital highway facilities without adequate funds. I believe we need a national transportation system, but I am concerned about why we need a newly designated National Highway System, particularly at a time when we must be increasingly aware of alternatives to highway transportation.

I am a strong supporter of a flexible highway program, but the Administration proposal seems to give flexibility with one hand and take it away with another. First of all, the 60/40 matching ratio will force many States to increase their State motor fuel taxes to meet the higher match requirement when many have recently raised gas taxes and when more than half the States are facing extremely severe economic and budgetary problems. The nickel increase in the Federal gas tax included in budget reconciliation last year compounds the problem for the States.

One must also remember that rural, low population States generate little in tax revenue for each one cent per gallon tax increase compared to the more populous States. For example, for every penny hike, North Dakota raises $4 million, but California comes up with $125–130 million. Obviously, an increased State match requirement hits rural States hard. Shifting more of the fiscal burden from the Federal Government by forcing States to raise their taxes is not flexibility in my book.

It is important to note, however, the efforts in the Administration bill to address transportation needs in all regions of the country—urban, suburban, and rural. A balanced approach is critical in developing viable legislation, as DOT recognized.

According to the Administration, the proposed 60/40 matching ratio will increase Federal leverage, but in my view it will actually reduce a State's flexibility. It could virtually eliminate a State-only funded program. The Administration also proposes that only 15 percent of a State's National Highway Program apportionment be eligible for transfer to the flexible Urban/Rural Program, and this only after approval by the Secretary. This seems much too limited to be termed flexibility.

There must be additional emphasis on moving people—not just vehicles—in our urban areas. With an emphasis on intermodalism, necessitated to an extent by the Clean Air Act Amendments, I wonder if the time is not right to seriously consider merging highway, highway safety, mass transit, and rail programs into a unified Surface Transportation Administration. Such an organization would be able to consolidate and integrate the functions of the Federal Highway Administration, National Highway Traffic Safety Administration, Urban Mass Transportation Administration, and Federal Railroad Administration.

The Administration spotlights several privatization approaches to meeting transportation needs. I strongly believe that there is a legitimate role for government in public works. While the private sector may have a contribution to make in some areas, privatization is not going to be a cure-all for our problems.

There are, however, many concepts in the bill that are interesting and deserve serious consideration. The Committee is pleased to hear the Secretary's testimony today, and I am sure members will review the Administration's bill very carefully. Last of all, let me comment DOT, GAO, and CBO for their assistance to the Committee over the years. I look forward to a productive effort as we move together through the reauthorization process.

Senator **BURDICK**. Senator Chafee.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator **CHAFEE**. Thank you very much, Mr. Chairman.

I'd like to join in welcoming the distinguished Secretary and I also will put my statement in the record.

[Senator Chafee's statement follows:]

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Mr. Chairman, I want to congratulate you for scheduling this hearing and getting off to an early start this year in looking towards the reauthorization of the Surface Transportation Act and an overhaul of the Federal-aid highway program.

For 35 years the focus of the highway program has been the Interstate Highway System. Few major changes have been made to the highway program during that period. The goal of connecting America by a network of interstate highways has been achieved. The construction of the Interstate Highway System has had a tremendous impact on this country. Much of the impact has been positive, some has been negative. In any case, the Interstate System has clearly changed the landscape of the country and it has changed many of the towns, cities and neighborhoods along its corridors.

As we approach the 21st century, we need a transportation program that will serve us well in the next century. Our world has changed in the last 35 years and the transportation program will have to change also.

The challenges we face now include ozone depletion and global warming, the loss of wetlands and open space, air pollution, congestion in many of our cities, a large capital investment in a transportation infrastructure which all levels of government are having difficulty maintaining, growing deficits, and dependence on finite sources of energy. The transportation program of the future will have to meet all these challenges.

Highway construction and maintenance is both a public works program and a program with tremendous environmental impacts. We need a good transportation system to compete in international markets. We must unclog our highways, improve connections between the various transportation systems, get our goods to market, and move people efficiently between home and work. At the same time, however, we must honor our national commitment to protecting the environment. We must maintain and strengthen existing environmental safeguards.

For example, this Committee just completed work on a new Clean Air Act. The new transportation program must promote national clean air goals. It does no good to have a tough Clean Air Act if our public works policy promotes an increase in sources of air pollution.

Too often in the past, I believe, a highway solution or a transit solution has been forced on a community by the way in which Federal transportation dollars are made available. I hope that in the next bill we can encourage the best transportation solution for the problem, whatever mode that might be. States and communities must also be encouraged to do some good, long-range planning that will provide the best transportation solutions.

Mr. Chairman, I join you in welcoming Secretary Skinner and the other witnesses to our Committee today. I congratulate you, Mr. Secretary, for transmitting a Surface Transportation reauthorization bill to us early in the year. While I may not agree with everything in your proposal, I believe there are some very good things and I know the committee will give it very serious consideration as we work towards reauthorizing the Surface Transportation Act and the Federal-aid highway program.

Senator CHAFEE. I just would make a couple of points from the statement, if I might. One is that we've had the interstate highway program now for 35 years. It seems to me that—and certainly the Secretary will support this view—it's nearly completed, is really completed; it's had a tremendous impact on the Nation—much positive, some negative—and as we approach the 21st Century that we've got to look at a transportation program that's going to serve that century. I look on a transportation program as not solely a highway program.

The second point I'd like to make is that in everything we do in connection with our transportation system, we have to think about the environment. Through this committee last year, we passed a tough Clean Air Act but if our public works policy doesn't promote the national clean air goals, then I don't think we've made a great deal of progress.

So, Mr. Chairman, I join you in welcoming Secretary Skinner and the witnesses that come with him. We'll have some questions in connection with that, and I'm delighted that you have scheduled this hearing so early.

The objective as I see it is to get on with the reauthorization of the Surface Transportation Act and have it done early, certainly in this calendar year and hopefully by September.

Thank you, Mr. Chairman.

Senator BURDICK. The Senator from Montana.

OPENING STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. Thanks, Mr. Chairman.

Mr. Chairman, I commend you for holding this hearing. I'm also very pleased that the Secretary is here today. We're all anxious to hear from him.

I believe that over the next several weeks and months all of us are going to learn a lot about the intricacies of the Federal highway program. It's a bit complex but it's also very important to us. In fact, as much as any other issue, this one particularly hits my State and other western States because the highways are probably more critical to our States than they are to others.

It's about 650 miles from one end of Montana to another and, on some weekends, I will travel up to 1,000 miles just traveling around my State. In fact, I was home in Montana just last weekend and there's one community—it's in the central part of the State—it's called Circle Montana, it's not on the map proposed by the Secretary. It's a very important route across Montana and those folks, as you might guess, are very concerned.

I'd like to put this in perspective so that people have a little better understanding as to why rural States, western States are so concerned. The 1970's deregulation of air service and of rail service took a particularly heavy toll. Heavy commodities that once traveled by rail, now leave Montana by highway and many of those highways when they were constructed were not designed to accommodate such heavy travel by trucks hauling grain, livestock, and other products.

We in western States have had to fight very, very hard to keep essential air service. Airline deregulation adds much more pressure on the highways and we have not kept the same air service that we'd had previously.

Yet now, many talk about a massive transfer of highway dollars away from rural roads to help ease urban traffic congestion. It's as though some wealthy urban States would like to place a tourniquet around the fragile arteries of rural America. We in the west can't stand for that and we're not going to let that happen.

Rural highways do matter; they make a big differences. Rural highways matter a lot to the folks living out west in communities like Lewistown, Thompson Falls, Ennis, Absarokee, Scobey, I mentioned Circle, but who out east has ever heard of these places. They haven't but they should because they are a critical part of America as well.

I'd like to also, just briefly, Mr. Chairman, mention one highway which should be of national significance, but it is not on the Secretary's map. It's Montana Highway 78. It's currently classified as a primary highway that runs south from Interstate 90 at the town of Columbus down to Stillwater Valley.

Why do I mention it? I mention it because this road serves not only the smaller communities of Absarokee, Roscoe and Redlodge, but it also winds up along the edge of the Beartooth Absarokee Wilderness, the Beartooth Highway. If anyone in this room or anyone listening has ever traveled the Beartooth Highway, one will know that it is a highway of national significance. It is a real gem.

You go up to elevations next to Yellowstone Park, next to Wyoming, 10,000–12,000 feet. You can only travel it during the summer months of the year because there's too much snow other months of the year. It is alpinelike. I urge those who have not traveled that highway to do so.

It is also not just a highway of scenic beauty, it is a highway of national security interests because just west of Absarokee lies the Stillwater Mine. Heavy trucks travelling along a 16 mile stretch of Highway 78 transport ore from this mine to Columbus. This is a very important ore; it's an important ore body because it contains two strategic minerals, platinum and palladium. In fact, Mr. Chairman, it is the largest platinum and palladium mine in the United States and I believe it also might be the largest in the western hemisphere, very critical to the National security of the United States, and yet it is not on the map.

I can go on and talk about the Minutemen systems. The Air Force has to drive trucks to transport Minutemen IIs, Minutemen IIIs. If we get a mobile Midgetman system that's going to be transported on highways.

These are highways of national significance. We are a national country; we are a one country. Western States should not be just a bump in the road when people travel from east to west or from the sun belt States to the coastal States. So I urge us all to remember that if we're going to have a national highway program, and we must for the reasons I indicated, that the performance of the Administration is going to have to be changed; we in the Congress are going to have to authorize a bill that truly recognizes the interests of the western States.

Thank you, Mr. Chairman.

Senator **Burdick**. Senator Lieberman.

OPENING STATEMENT OF HON. JOSEPH I. LIEBERMAN, U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator **Lieberman**. Thank you, Mr. Chairman. Good morning, Secretary Skinner. Welcome.

As I remember the last time the committee met with the Secretary was in the wake of the Exxon Valdez disaster, so it's good to be getting together jointly on a more positive note.

Mr. Chairman, I have a statement that I'd like to enter into the record and just briefly mention a few points from it.

[Senator Lieberman's statement follows:]

OPENING STATEMENT OF HON. JOSEPH I. LIEBERMAN, U.S. SENATOR FROM THE STATE OF CONNECTICUT

Thank you, Mr. Chairman, for holding this hearing, and let me join in welcoming Secretary Skinner to the start of our debate on the future of our Nation's transportation system. As I remember, the last time the Secretary met with this Committee was to advise us on the Exxon Valdez crisis. I am pleased that we are now jointly embarking on a more positive endeavor.

The Administration's recently released Surface Transportation Assistance Act of 1991 contains some positive new approaches. It reduces the number of funding categories and begins to allow some flexibility in spending decisions. I hope the Committee will build on some of these ideas.

In general, Congress and the Administration have a unique opportunity to redesign the Nation's surface transportation program in a way that achieves key national goals: mobility, economic growth, cost effectiveness, energy efficiency and environmental protection. The Administration's bill takes some important new directions. But serious concerns remain. Does the bill go far enough in providing urban areas with adequate sources of funding to meet transportation and environmental crises; does it adequately provide the funding flexibility needed by localities to meet these crises; does it propose a funding formula which meets the pressing need for a national commitment to energy efficiency and conservation? And does the bill fully look at urban transportation needs, environmental effects, and our need to reduce our reliance on petroleum?

I want to review specific concerns I have with the proposal.

First, I am concerned about the Administration's proposed changes to the formula for allocating money for bridge repairs. The radical change in formula proposed will mean a major shift in priorities. As I understand the proposal, it will penalize a number of States, including my own, which have already worked very hard to replace a rehabilitate the most important bridges in our States and may unduly reward States that have not yet properly focused their efforts on the highest priorities. States that have already devoted resources to repairing the bridges labeled as most important under the Administration's proposal would be denied money to repair other bridges which are also in desperate need of repair. These States need continued Federal help to rebuild their bridges, to improve their infrastructure.

Second, I doubt that the overall funding level under the Administration's proposal will prove adequate to the needs. According to the Congressional Budget Office's written testimony, "in real terms (constant dollars), spending during the two periods (the last five years and the next five years) would remain almost unchanged." As CBO also notes, this means that the unused balance in the Trust Fund would remain unchanged.

The balance in the Highway Trust Fund is large and growing. The public has paid its taxes to the Fund for transportation improvements and these funds should be spent for this purpose. Each day we put off transportation improvements, existing transportation problems get worse. In addition, the public is saddled with increased congestion, with associated problems of air pollution, time lost in commuting, increased costs of products that are transported on the highway system, and increased vehicle maintenance costs. Cost of road maintenance will also increase as we delay addressing problems in a timely manner. In short, I think we should begin to spend down the Trust Fund balance.

Third, the Administration proposes a new national system of highways. I am concerned that his up-front designation approach may pit one State against another, turning a cooperative legislative effort into regional battling. If such a new system is to be established, we need greater input from the States, based on their needs.

In addition, it is critical that the new legislation allow substantial flexibility with funds. The Administration's proposal allows for flexibility between transportation modes under its rural-urban category, but we may want to go further than that.

We should look closely at proposals that allow States greater discretion in determining how to deal with urban transportation problems, including congestion, air quality and energy consumption.

Fourth, the Administration's proposed funding for highway systems not included in the National highway program, the "urban/rural system", would require much greater State contributions for each Federal highway dollar. The Federal match declines in other areas as well. But I fear that not only is the overall pot of Federal money insufficient for meeting the needs, but also the Administration seeks to place too high a responsibility on the States. This shifting of the burden from the Federal to the State level will hit the States hard, particularly given the effect of recession on our economy, and the ongoing shift of Federal resources out of other critical areas.

Fifth, I am concerned that this transportation plan does not face up to the need for more mass transit and the need to conserve more gasoline. The Administration's proposal, in effect, freezes mass transit programs for the five years it covers, while it significantly increases highway construction funding. A large percentage of the Federal funds in the Administration's plan is allocated according to a formula neglects our need to reduce reliance on oil and penalizes States which are struggling to meet the mandates of the non-attainment provisions of the Clean Air Act through ridesharing programs, high occupancy vehicle lanes, transit and other measures.

Mr. Chairman, I hope we will begin a dialogue with Secretary Skinner on some of these issues and together craft a proposal which will build on some of the innovative ideas he has brought us and help redesign the Nation's transportation needs consistent with many of our other important national goals.

Senator LIEBERMAN. I think that the Administration's Surface Transportation Assistance Act of 1991 contains some very positive new approaches, reduces the number of funding categories and begins to allow some flexibility in spending decisions. I hope the committee will build on these ideas.

In general, Congress and the Administration have a unique opportunity this year to redesign the Nation's surface transportation program but to do so in a way that achieves some very broad national goals, including personal mobility, economic growth, cost effectiveness, energy efficiency and environmental protection.

The Administration's bill, I think, takes some important new directions, but in my opinion, serious concerns remain and I would raise these questions. Does the bill go far enough in providing urban areas with adequate sources of funding to meet transportation and environmental crises? Does it adequately provide the funding flexibility needed by localities to meet these crises? Does it provide a funding formula which meets the pressing need for a national commitment to energy efficiency and conservation? Does the bill fully look at urban transportation needs, environmental effects and our need to reduce our reliance on petroleum?

Mr. Chairman, I want to take a moment to just speak briefly about the proposed changes to the formula for allocating money for bridge repairs. Here, I admit to what I consider to be a healthy dose of what some might call parochialism, but we are concerned in Connecticut that this proposal would penalize a number of States, including our own, which have already worked very hard to replace and rehabilitate the most important bridges in our States and the formula may unduly reward States that have not yet properly focused their efforts on those priorities. So I hope we can discuss those concerns as this goes on.

Secondly, I'm concerned about the overall funding level under the proposal that the Administration has made and whether it will be adequate to our needs. The Congressional Budget Office in written testimony has said, "In real terms, that is constant dollars, spending during the two periods"—I presume that means the last five years and the proposed next five years—"would remain almost unchanged."

As CBO notes, that means that the unused balance in the trust fund would also remain unchanged and I think it's time for us to take again a look at the balance in the trust fund which is large and is growing, and it comes out of no where but out of the taxes that people pay into the fund with the specific intent of having them used to improve our transportation systems. In short, I think we've got to look at beginning to spend down the Highway Trust Fund balances.

Mr. Chairman, I thank you for giving me this opportunity to say a few opening words. The rest of the statement I'm happy to have included in the record and just that I have tremendous respect for Secretary Skinner, as I'm sure all members of the committee do, and I hope we can now begin a dialogue which will not only meet our transportation needs, but several of the other needs of our country that are affected by our transportation system. Thank you.

Senator BURDICK. Now we will hear from the Empire State.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator MOYNIHAN. Thank you, Mr. Chairman.

I'd like to respond to my colleague and friend, Senator Baucus, about the small communities of Montana that no one seems ever to have heard from like Absarokee and Roscoe and Redlodge. Not many people perhaps either have heard of Hungry Horse, but I went out there just after the second war with a couple of friends to help build that dam for you and they didn't think much of us as dambuilders.

Toward the end of the summer we found ourselves having to get back east and they didn't have the interstate highway then, but they had a much better arrangement. It was called the Northern Pacific Railroad and you got in the box car. I remember we got into this box car one night and we hid in the corner and finally about four hours later, there was a crunch, crunch, crunch, and finally a flashlight entered our door. He caught all three of us in the corner and he said, you fellows can stay here as long as you want but this car isn't going to move for three weeks. He said, where are you heading? We said, east. He said, well, come with me and we had the most pleasant journey across the Great Plains.

People used to get on those cars in one town and get off from it in the next and fare was reasonable, the trip was scenic—cowboys waved to you. We got to Chicago and they arrested us, so I don't know why we built the interstate system in the first place.

[Laughter.]

Senator MOYNIHAN. Mr. Chairman, I'll be brief but try to make two points. The first is, Mr. Secretary, Mr. McCormick, that I think the whole committee should be clear that what we have here as we draft this legislation is a large opportunity to redefine our surface transportation program, but to do so in the constraints of very limited resources.

We have a trust fund and that is as much money as we have to spend. If anybody thinks otherwise, and particularly if Secretary Skinner thinks otherwise, I'm glad to hear but there is a trust fund and that will be it.

Actually, the Administration has suggested that there will be an increase in resources. I think, Secretary Skinner, you spoke of a highway program that would increase by 39 percent from fiscal year 1991 to the last year of the Surface Transportation Assistance

Act, 1996. Well, that reflects a budget that is always going to be balanced in five years time, never this year—it used to be three years time, it's now five.

Mr. Blum will testify that the Administration's budget proposes no increase in program levels for highways in real, inflation-adjusted terms until fiscal year 1996 long after the next presidential election. That's the setting of our agreement at Ft. Andrew which puts off all decisions until after the next election. In actual obligations, the Congressional Budget Office, estimates that we will decrease in the next two years. Not a lot, but we'll be going down. We're flat.

That should not surprise us. We've said on the floor with great specificity when the Surface Transportation Act last passed four years ago—a year late because of the presidential veto and again over a veto—that would be the last bill of the interstate highway program and something new would now be in order.

So to be clear, our resources are limited. In fact, the Washington Post in a wonderful editorial described this as kind of a new era. It was a headline—I think it was called "The Highway Haze" and it said all through the 1980's the art of government was to take huge programs and describe them as small for purposes of getting through the first year and so forth. The art of the 1990's is to take small programs and describe them as being huge. You can make a case for either way but we're in the second phase and let's be clear.

The second point I would make is that there is a sense in which what we have here is more an energy policy than a transportation policy because it directs almost all of our transportation to the automobile and a system in which the more gasoline you consume, the more money you get. The reward is for the consumption of oil. As Secretary Skinner has very helpfully told us, 62 percent of all the oil consumed in the country is through automobiles.

The last point I'd make is that there is the beginning, and a very welcome beginning—I don't mean in any sense to say when I say beginning to suggest that it's insufficient—the Administration does begin to introduce the idea of price allocation into transportation. We haven't had that; we are beginning to get it.

We've taken testimony in advance, in expectation of this morning in which we've had very able economists, such as John Kane who studied this matter for 30 years, say that, for instance, in our present system the only price allocation we have on the highway system is congestion. Congestion, you now it costs you more to go at certain hours because it takes you longer, but it's a pricing system but not obviously the most efficient one.

This Administration, for the first time ever I think it is, has indicated that toll roads are not anathema in principle as they have been for 150 years in Congress. That certainly attracts this Senator, the idea of a pricing system however we think we can devise it, and I hope we can.

I hope we will see then three points. One is that we are not embarking on a new transportation system as we did 35 years ago, but we are into a stabilizing period. Two, that we are continuing an absolute dependence on the automobile which may be where we end up. I don't know. I kind of liked the Northern Pacific. Third, that the idea of introducing some more pricing into the system is not unwelcome.

Senator Baucus made the case for the western plains and I couldn't more agree. Mr. Chairman and I are from urban regions and we have different priorities. Make the point, as we have done before, 57 percent of the interstate system was built in cities, it was spent in cities. It was, in fact, an urban highway program with a map that misled you and in the main, that money was misspent. It built barriers; it cut off water; it put in circumferential roads; it smashed the American cities that we had in the 1950's and we'll never get them back, but we can do something about not making them any worse than they have become. That should be the subject of our deliberations for the next several months.

Thank you, Mr. Chairman.

Senator **BURDICK**. Senator Graham.

OPENING STATEMENT OF HON. BOB GRAHAM. U.S. SENATOR FROM THE STATE OF FLORIDA

Senator **GRAHAM**. Thank you, Mr. Chairman.

Mr. Chairman, I have a prepared statement that I would like to submit for the record and a few comments.

[Senator Graham's statement follows:]

OPENING STATEMENT OF HON. BOB GRAHAM, U.S. SENATOR FROM THE STATE OF FLORIDA

Mr. Chairman, I appreciate your holding a hearing on the Administration's fiscal year 1992 budget proposal for the Federal Highway Administration and the Administration's surface transportation bill.

We are moving into a new era of transportation policy and it is critical that we use this time to fine tune current programs; eliminate those programs that not longer meet the objectives for which they were intended; and initiate new programs based on clear achievable objectives that will meet the changing needs of our nation.

It is imperative therefore to use history as an educational tool. As we listen to Secretary Skinner's testimony we must ask ourselves what aspects of the current program the Administration is proposing to change and what is the rationale driving the changes.

On February 12, in Tampa, Florida, participants in the round table discussion held under the jurisdiction of the Environment and Public Works Committee and the Banking, Housing and Urban Affairs Committee discussed five problem areas in Federal policy and programs: funding and distribution of funds; lack of intermodalism; lack of policy integration between transportation policy and energy, environment, and social policies; obstacles to public and private sector coordination; and the need for new policy goals.

The issue of funding has raised vocal criticism in three areas: the balance in the Highway Trust Fund, the apportionment formulas, and the level of Federal financial participation. Secretary Skinner's, James Blum's, and Kenneth Heed's testimony all address the trust fund balance, committed funds, the Byrd Rule, and surpluses. It seems clear that although we increased revenue to the Highway Trust Fund in the 1990 reconciliation bill, we cannot increase spending for the highway program without taking money from other discretionary domestic programs.

I would like to explore with each of the witnesses, ways in which we can spend more each year from the Trust Fund under the Budget Enforcement Act and the idea of taking the Highway Trust Fund off budget.

The effectiveness of the program in providing a sound, safe, and efficient transportation system lies not only in the amount of funds available to the States and localities but in the way the funds are distributed. The Administration proposes changing the way funds are distributed by eliminating all highway apportionment formulas and replacing them with one for the National Highway System. The Urban and Rural Program funds would be distributed based on State contributions to the highway account. The Administration also proposes changing the factors which make up the apportionment formulas; the rational behind the change is that the new factors better measure the extent of use and are more accurately measured and verified.

In 1986, the General Accounting Office submitted a report at the request of Senator Lawton Chiles entitled Hiahwav Fundina: Federal Distribution Formulas Should Be Changed. GAO analyzed the factors of the apportionment formulas and made some enlightening conclusions about which factors best measure use and which factors are best quantified and verified.

GAO found that lane-miles is a direct measure of the size of the road network and should be used to reflect the extent of the system to be preserved. GAO also found that highway use can be measured by both vehicle miles of travel and motor fuel consumption. I would like to explore the Administration's reasoning for using the factors and weights that they did when designing the apportionment formulas.

I recognize that in these times of severe budget deficits and increasing public debt that we must take a realistic look at Federal spending in all areas. The Administration has proposed different Federal match ratios through out the surface transportation bill.

What we need to determine is in which areas the States and localities can meet the ever increasing demands placed on them by the Federal Government and their constituencies. We must be honest with the States and localities and let them know what the Federal Government will continue to fund and what commitment we need from them to secure a economically productive, user friendly, energy efficient, environmentally sensitive, and safe, national transportation system.

We must also avoid creating modal biases in developing Federal programs. When the Federal commitment to highway spending is greater than the commitment to mass transit, you are creating a modal bias. To avoid a modal bias we must think in terms of the best way to move people, goods, and services, and not focus on the individual transportation modes.

To shift the focus of transportation policy we must first identify the institutional structures which lead to the current modal focus. I would like to hear from the witnesses what changes they would prescribe at all levels of government and in all branches of government for ensuring intermodalism.

As we shift our focus to moving people, goods, and services, we must also keep in mind and integrate into the policy initiatives recently enacted Federal mandates such as the Clean Air Act and the Americans with Disabilities Act. We must include in the Nation's transportation policy a recognition of our country's economic situation and of the need to promptly deal with its energy demands.

The Bush Administration's National Energy Strategy lacked specifics and did not adequately promote conservation. The strategy does recognize that transporting people, goods, and services represents a significant percent of all energy use. In 1990 alone, this transport cost $200 billion.

The Energy Strategy encourages technological development in such areas as gas turbines, electric vehicles and high speed trains, and promotes the use of alternative fuels. But the Strategy stops short in the area of raising fuel efficiency. The Strategy calls for an evaluation of the potential for raising fuel efficiency, but we no longer have time to ponder the potential. Therefore, our nation's energy and transportation policies should include tougher fuel efficiency standards.

Two proposals in the Administration's surface transportation bill that integrate energy and environmental policies is the greater Federal match (90 percent rather than 75 percent) allowed for traffic demand management strategies on the Interstate System including the construction of HOV facilities; and the authority given to large cities with air quality attainment problems to experiment with congestion pricing such as imposing bridge and tunnel fees for peak hours.

However, there does remain a level of incongruity in the proposed energy and environment policies because the Administration's proposal continues to place greater emphasis on funding parts of the transportation system that moves people, goods, and services by the light-duty vehicles which already account for 60 percent of all transportation energy use and which worsen our air quality.

This reauthorization cycle provides us with an historical opportunity to integrate these policies and the objectives enacted in the Americans with Disabilities Act. The Administration has taken some steps in that direction, let us move forwards and not backwards.

The private sector can assist us in our efforts. We need to identify the obstacles to greater private sector involvement, evaluate their merits and eliminate them if they will inhibit the achievement of our nation's new policy goals.

Secretary Skinner explains that the Administration's bill provides flexibility to attract more private sector funds. One of the ways the bill provides this added flexibility is by allowing the value of the buildings above a highway to be factored in the financing package. I would like to evaluate some potential scenarios where this concept would be implemented and explore other ways for attracting private sector involvement.

Diagnosing the problems in current Federal programs is the first step that must be taken in developing a transportation policy that will take us into the post Interstate era. I look forward to hearing what the witnesses have to say about the Administration's budget proposal and their proposed 1991 Surface Transportation Assistance Act and hope that they will also comment on the best way to use the limited funds we have available.

Senator GRAHAM. We're at a point in history where there is a convergence of a number of transforming events. Those events, in my judgment, should form the context in which we consider this legislation as well as the reauthorization of the Urban Transit Act which is also an obligation of this session of Congress.

Some of those transforming events include the end of the interstate era and the commencement of the post-interstate period. Some time before we authorize another highway act, there will be a significant ceremony and it will be held in Ft. Lauderdale, Florida. That will be the completion of the last segment of the authorized interstate system. It's imperative that we now begin to look at what we're going to do after Ft. Lauderdale.

Second, as has been commented, a transportation policy is of necessity an energy policy. Over half of the energy consumed in this country is used for purposes of transportation and therefore anything that is going to be a significant movement towards changing past practices has to have transportation as its primary focus.

Third, we have just received the results of the 1990 Census. They have confirmed what we have known and that is that America is moving. There has been a substantial reallocation of who Americans are and where they live. This will have significant effects if our goal is to provide at a national level a parity, an equality of transportation services for all of our citizens wherever they might live.

Finally, we're in another post period and that is we're in the post-Persian Gulf War period. We've all been impressed with the tremendous technological accomplishments of our military. As we try to understand why those accomplishments were possible, we recognize that it was due to a unique public/private partnership in which private innovation and creativity matched public investment in major university-based research as well as within the Department of Defense itself.

We have a similar challenge as we, in this post-war era, look to an economically strong America commensurate with our militarily strong America. Transportation clearly is a fundamental, generic element of a strong domestic economy. We must apply to this a futuristic orientation of what kind of transportation system will the new economy of America require. I hope that will involve increased consideration of some modes of transportation such as high speed rail that are common in most of the rest of the industrialized world and we will still consider to be exotic.

This is not a time for status quo ratification. We should approach this task with a sense of enthusiasm, anticipation, and to be broadly conceptual designers of a transportation policy that will serve this nation into the 21st Century.

Thank you, Mr. Chairman.

Senator **Burdick.** Senator Jeffords.

OPENING STATEMENT OF HON. JAMES M. JEFFORDS, U.S. SENATOR FROM THE STATE OF VERMONT

Senator **Jeffords.** Thank you, Mr. Chairman. I will be very brief. This certainly is an incredibly important role that we're undertaking here, to redesign the National highway system and it will obviously have a big impact on our lifestyle and our standard of living for the decades to come.

I'd ask that my statement be made a part of the record, Mr. Chairman.

[Senator Jefford's statement follows:]

Opening Statement of Hon. James M. Jeffords, U.S. Senator From the State of Vermont

Thank you Mr. Chairman, for having convened this hearing today. It's not an understatement to say that reauthorization of the Surface Transportation Assistance Act is a priority for this Committee and the Congress. Highway users pay for the construction and maintenance of our road system, and so deserve to have the funding mechanisms remain intact.

I appreciate the opportunity to have Secretary Skinner here to testify on the Administration's plan for changes in the Federal highway system. As with many States, my State of Vermont faces budget and infrastructure problems. We have new highways wanting to be built, old roads in need of reconstruction and bridges lacking for repairs. To complicate matters, the State, much like the Federal Government, faces a steep budget deficit.On the positive side, our Federal Highway Trust Fund is in a surplus position and last year's budget reconciliation package added additional revenues to the fund. The Administration's proposal suggests increasing spending on surface transportation initiatives. The plan also proposes revamping the formula systems, giving States increased flexibility in choosing projects to receive funding.

Reauthorization of the Surface Transportation Assistance Act is an opportunity to improve the daily commute and occasional journey of Americans using the highway system. It is a chance to enhance traffic safety and improve the efficiency by which commercial products are moved from factory to market. We have a chance to improve our standard of living by making the investments for our well-being and that of future generations.We will have a lot of issues to cover between now and the end of the fiscal year, the date of expiration of the current authorities. I appreciate having Secretary Skinner here to describe the President's plan, and look forward to asking a few questions when the opportunity arises.

Thank you, Mr. Chairman.

Senator **Burdick.** Senator Durenberger.

OPENING STATEMENT OF HON. DAVE DURENBERGER, U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator **Durenberger.** Thank you, Mr. Chairman.

I have a statement I'd like to be made a part of the record.

[Senator Durenberger's statement follows:]

Opening Statement of Hon. Dave Durenberger, U.S. Senator From the State of Minnesota

Mr. Chairman, I am pleased to be here today as the Senate Environment and Public Works Committee hears testimony from Transportation Secretary Samuel Skinner regarding the Administration's proposed Surface Transportation Assistance Act of 1991 and its fiscal year 1992 budget proposal for the Federal Highway Administration.

As our country begins to work through the process of developing new surface transportation reauthorization, it is clear to me—and I think to many here today, that this is a momentous and direction setting effort. During the last 3½ decades, the Federal Government has deeply invested itself in planning, design, and financing construction and maintenance of the Interstate highway system. This endeavor is now essentially complete and it is scheduled to end when the current highway bill expires at midnight on September 30, 1991. With the ending of the Interstate highway program, there is now a need and an opportunity to identify a new focus for surface transportation policy. This realization has been a powerful motivator in instigating the extensive discussion and consideration which has already occur on this matter.

Nearly one year ago, the Administration completed its exhaustive work on developing the National Transportation Policy and Transportation Secretary Skinner unveiled it to the Nation. The National Transportation Policy incorporated huge amount of data and solicited comments submitted by thousands of Americans at the many public hearings held throughout the country into a framework designed to shape our nation's transportation policy in the upcoming decade. The National Transportation Policy effort was especially encouraging to me because it signaled that this Administration is serious about addressing national transportation issues. That effort augments the extensive efforts by other public and private groups on this matter.

Today's hearing starts the process of implementing the National Transportation Policy recommendations into public law. I know that my colleagues on this Committee are eager for the opportunity to work with the Administration and Secretary Skinner in fashioning an innovative and precedent establishing surface transportation act that not only remedy today's transportation problems, but creates a blueprint for building the 21st Century transportation system.

I wish to offer some prefacing comments before we listen to Secretary Skinner's testimony on this issue. There are many reasons why the pending surface transportation reauthorization is generating so much attention. As our country moves into the next millennium, the underlying assumptions and conditions shaping our national transportation policies and program are radically different than they were 20, 30, or 50 years ago. Some of these new considerations are the growing Federal deficit problem, environmental degradation generated by transportation systems, accelerating rural to urban migration, and new patterns of urban growth.

In the two centuries of our country's existence, the Federal Government has frequently assumed a major share of the cost of constructing nation-wide transportation networks. It did so via the land grants for the railroads during the 19th century and it has provided most of the construction funds used to build the Nation highways, airways, and waterways during this century. Now that these 20th century transportation systems are essentially complete, the $64,000 (money) question is what should the Federal Government do now? Should it redeploy itself and redirect scarce Federal resources to meet other pressing needs such as health or environment? Should it now assume from or shift to the states and local government a larger share of maintaining existing infrastructure? Or should it develop and finance the construction of a 21st century mode of transportation, perhaps high speed personal intelligent vehicles, magnetic levitation or high speed rail systems? The answer to these functional questions will lay the foundation for the 1991 Surface Transportation bill.

Getting more specific, one area which deserves substantial thought and consideration as our nation commits itself to the next generation of transportation policy is a reasonable forecast on what the transportation needs of this country will be in the forthcoming years. There are several new factors which previous transportation policy developers did not concern themselves with. The most obvious is the environmental issue.

A considerable share of my energies in Congress has been consumed by my effort to enact more progressive "Clean Air Act" legislation. During the course of deliberating on last year's Clean Air legislation it occurred to me one of the components to cleaning up air quality in some of our nations cities will require a different mix of transportation services. Because of that fact, cities and states will need maximal flexibility to devise transportation systems which minimize environmental degradation. The Administration's urban and rural block-grant program should afford much of the necessary flexibility needed to construct transportation networks that meet each city's unique circumstance.

Related to the environmental concern is the ongoing effort to create a National Energy Strategy. While the connection between a National Transportation Policy, a healthier environment and a National Energy Strategy is strong, it will take great care and effort to devise policy which work in concert with each other achieving the goals of each issue. I am committed to incorporating environmental and national energy strategy goals as much as possible into this reauthorization. However, I also know that there will be a number of occasions when there will unavoidable tradeoffs that pit the objectives of clean air against, either or both transportation goals and energy efficiency, or visa-versa, but those instances will have to be dealt with as they arise.

Another issue which was addressed by the Subcommittee in early February was the growing divergence between urban and rural transportation needs and means. In growing urban areas, the financial means for new infrastructure is there, the problem is properly planning and financing the growth in an environment where it is difficult to assess the cost of development on the economic beneficiaries. In isolated rural areas and declining urban cities, the number one transportation problem is that declining local tax bases are eroding the abilities of those communities to maintain and improve essential transportation infrastructure. If these communities suffer a decline in transportation service, then they will lose additional transportation based industry, thus diminishing even further their ability to maintain basic local services. The Administration seems to recognize this problem through its funding emphasis for the National Highway System. I am hopeful that refinements to this section of the bill will provide the necessary assistance to these reduced means communities.

A third area which I hope is more fully addressed is trying to anticipate the future needs of transportation users, both passenger and freight. Ongoing innovations allow transportation modes to not only become more efficient, but to become more interchangeable and complementary. I am encourage by the Administration's desire to reduce the paper work burden on Interstate motor carriers. Furthermore, I am hopeful that this Surface Transportation Reauthorization can be used to challenge the creativity of transportation users to develop and take advantage of multimodal systems which are highly efficient. One way to do so would be to offer a higher Federal match for projects which streamline intermodal connections.

Because of the reasons I have just cited, a final and key objective which I have for the upcoming surface transportation reauthorization act will be to make transportation research a high Federal priority. While I appreciate the more immediate political benefits generated by accelerating construction, I also know that a modest increase in research investment today will make tomorrow's constructions dollars will go much further.

In recent years, Minnesota has been cooperating with the Federal Highway Administration in developing the Guide-Star traffic management system. This initiative has been highly successful and extremely cost-efficient in reducing traffic congestion in the Twin Cities metropolitan areas Further development of this initiative, as well as similar efforts in other states, could substantially reduce urban congestion and lay the foundation for the 21st century intelligent vehicle-highway systems. Therefore, I am encouraged that the Administration seems to share this objective. It is extremely important that the priority of transportation research be increased so that Americans can enjoy less costly and greater mobility in the 21st century.

In closing, I look forward to hearing Secretary Skinner's comments on this issue today. I am confident that he will work diligently with this Committee to fashion a precedent establishing Surface Transportation Assistance Act of 1991.

Senator **DURENBERGER**. I just want to make a couple of observations for the benefit of the Secretary on what my State thinks are some of the strengths and weaknesses of his proposal.

First is I think this is a once in a generation opportunity to redefine highway investment opportunities. To quote a former Administrator of the Department of Transportation who now heads the Minnesota Department of Transportation, he says "Frankly, having been involved myself in the Federal budgeting process for the last few years, I was flabbergasted at the creativity of the bill." So by way of a compliment to one of the former colleagues in the Department, I read you that.

Then, he goes on to say—this is the realistic part, maybe this is the reason some folks are in this room, I don't know—"However, if the desire to pork barrel forces collapse of the block grant and the bill becomes flooded with demonstration projects, please give us early warning so we can identify the highest priorities in our State."

[Laughter.]

Senator **Durenberger**. That is by way of a compliment, Mr. Secretary, and also a dose of realism which you don't need because you've been involved in these things before.

As far as the strengths of the proposal are concerned, I'd note first that the bill substantially increases highway funding without violating the spending caps imposed in the budget agreement, although some of us can't understand why the trust fund should be subject to that agreement since it can neither borrow nor spend.

Secondly, it gives the State highway departments and State legislatures substantially more authority to determine where funds are allocated that any previous Federal highway proposal goes a long way in that direction, and I think that is most appropriate and something I will strongly support.

The transferability between program categories as well as the transferability between transit and highway are extremely positive developments in the Federal/State relations.

Finally, the decision to promote IVHS systems, the Intelligent Vehicle Highway Safety systems, is an extremely important one. As we've demonstrated time and again in the State of Minnesota, the IVHS system gives maximum productivity out of highways that are already in the ground and we certainly appreciate the support in this proposal for that.

On the at least potential weakness side, I'd point to the fact that the bill substantially increases the matching ratios. That is, it lowers the Federal participation in relationship to the State and that is particularly pronounced where certain categorical safety programs have been folded into the urban/rural block grant. I would just argue that perhaps we ought to take a careful look at that issue of ratios as it applies to the specific purpose for which we are doing funding.

The second observation is that the surplus in the trust fund will actually increase from the current $11.1 billion to $13.6 billion over the duration of this bill and, as others have stated, this is a pay as you go proposition rather than a fundraiser.

Finally, on the area of public/private partnerships, this is an important part of the proposal. By way of a suggestion that one of the areas that is not covered in the provisions for private contributions are the safety-related investments and I would hope, Mr. Secretary, that you don't have any serious objection to expanding the definition of the public/private partnership areas to include some of these rather important provisions as well.

Mr. Chairman, I'm pleased that Sam Skinner is the Secretary of Transportation. I'm very pleased, as I've reflected in my comments and those of the folks from Minnesota, that the leadership that he has provided us here at the Federal level in recreating the Federal/State/local partnership which transportation needs to be, and I look forward to helping implement this proposal.

Senator **Burdick**. Now we'll go back west again to Senator Symms.

OPENING STATEMENT OF HON. STEVE SYMMS, U.S. SENATOR FROM THE STATE OF IDAHO

Senator SYMMS. Thank you very much, Mr. Chairman.

I'll be very brief but I do have a couple of points that I would like to make.

First, Mr. Secretary, I wish to welcome you here. I agree with Senator Durenberger, you've been a real asset to the Administration. I appreciate your forthrightness and I appreciate your vision. We welcome Gene McCormick also this morning.

I just hope that those of us on this committee and in the Congress can get the same depth of vision that I think you had in forming your program so we can work with you for some of those things in the future of the Federal aid highway program I believe are very important.

First, if I could just touch on a couple of the points, your proposal for a 5-year authorization of a substantially restructured highway and transit program, I fully support the idea of a 5-year program so the States can develop transportation projects with some reasonable certainty about the amount of Federal financial assistance and administrative requirements they'll have to work with.

I also support the structural changes in the highway program designed to give States more flexibility in the use of Federal funds and greater administrative control over their own highway programs. The Administration proposes to collapse 16 existing categories into 7. I would support even fewer program categories and broader authority but I congratulate you for that move.

Secondly, the centerpiece of the Administration's highway bill is the new national highway program on which the bulk of the Federal funds and administrative control will be focused. I believe we ought to focus Federal funds and program control on those highways where there is a clear Federal interest and I will urge my colleagues on the committee to give careful consideration to the proposed national highway program.

I would say here that the proposed 150,000 mile cap on the system may not be enough and I believe States, rather than the Federal administration, should be given more input into the primary responsibility for determining which highways need to be included.

Thirdly, I strongly support the Administration's proposal to reduce the Federal oversight and administration control over projects on the urban/rural system. In fact, Mr. Chairman, I believe we can and should do more to allow the States greater freedom from Federal oversight on a project-by-project basis while still requiring compliance with the applicable Federal environmental and labor laws.

Finally, let me say a few words about the bottom line—money. In my view, the Administration includes too little total dollars, although funding rises annually by the amount consistent with last year's budget agreement and apportionment formula for the National highway program that is too heavily weighted toward population factors, too little flexibility for the States to transfer funds from one account to another and an unacceptably low Federal share for projects on both the National highway program and the urban/rural program.

Mr. Chairman, I understand the Administration's reason behind this because the lower Federal match is designed to get the States to contribute more of their own financial resources to the transportation infrastructure which is needed in most parts of the country, and that's a worthy goal, but it is a goal that Idaho and many of the other rural western States may not be able to reach given the proportion of their budgets already devoted to transportation and their limited tax base.

I think it's noteworthy that Senator Baucus spoke earlier about Montana, but I might just relate it to Idaho, that it was only last year that Mr. Gorbachev advocated that 60 percent of the land in the Soviet Union should be turned over to private ownership of the people of the Soviet Union. We've made it up to 33 percent in Idaho, so we still have a ways to go to meet those standards. This drastic reduction in the Federal match I think will be difficult for some of us from some of the big rural, low populated States to accept.

Overall, Mr. Secretary, I'm with you on the structural reforms. The money could end up being a problem, but I think we can resolve that issue and I'm looking forward to working with you.

While we're at it, and I won't ask you to comment on this this morning, but I want to announce to my colleagues that it's my intention in the process of this legislation and in the markup in this committee and on the Finance Committee, of which I am also a member, that we will take the $0.025 fuel tax that went to the general fund in last year's budget agreement and return it back to the trust fund where it belongs. I think that all we have to do is say that everybody makes mistakes; we ought to agree that was a big mistake. We think we had the votes on the Senate floor but because of the agreement, the hour, the month and the time, with the election coming on, we didn't quite get the job done.

I believe this year when people have time to reflect on it, we will put those user fees back in the transportation programs where they belong. I think we should have that be a part of this package.

Mr. Secretary, welcome, and thank you, Mr. Chairman.

Senator **Burdick**. Senator Reid.

Senator **Reid**. I would note to my friend from Idaho that they have 20 percent more land than we do in Nevada.

[Laughter.]

Senator **Moynihan**. We're going to use yours for a nuclear depository.

[Laughter.]

Senator **Symms**. Or in Idaho.

Senator **Moynihan**. OK, Idaho.

Senator **Reid**. That was a real dirty trick.

[Laughter.]

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Senator **Reid**. Mr. Chairman, I appreciate this hearing being held. I also would like to commend you as the Chairman and the chairman of the subcommittee, Senator Moynihan, for the great hearings we've had that has given us a good background as to what some of the problems are. I think the people we had from the Federal Reserve Board and the others have been just outstanding hearings.

Reauthorizing the highway program, I think is the most important responsibility of the committee this year. Our work here will determine how much money is available for our Nation's roads, how long commuters will sit in gridlock, and how long the largest public works project in history will be allowed to decay.

The distinguished witness today, Secretary of Transportation Skinner, has worked hard to develop a highway program that moves our Nation's transportation infrastructure into the 21st Century. I would like to say here, Mr. Chairman, to our colleague from New York that Secretary Skinner has been the first to recognize the need, at least during the time I've been in Congress, that we might have to look at something other than highways. He was very agreeable to give some attention to magnetic levitation which New York, Florida, Texas, and Nevada were interested in, and I appreciate that. We need to do more but certainly the work you've done in that area has been significant.

You have, as I indicated, worked hard to develop a highway program that moves our Nation's transportation infrastructure into the 21st Century. You've presented us with a bill full of innovations, congestion pricing, traffic management systems, the promotion of car pool lanes, pedestrian-and-bicycleways and making rights-of-way available for Mag-Lev. These are all positive changes that will provide this Nation with a multimodal transportation system.

All of these proposals are good, for the heart of the Administration's proposal is a radical restructuring of the basic highway program, a restructuring that is completely, I believe, unnecessary, and a restructuring that is so controversial it overshadows those progressive proposals that I've already outlined.

We've all heard the saying, "If it ain't broke, don't fix it." This applies, I believe, to the Administration's bill. Our highways are broken, not our highway laws. There's nothing wrong with our Nation's roads and current highway laws that spending more money won't repair, money we can spend without raising taxes, for as we all know the Highway Trust Fund enjoys a surplus and there'll even be a bigger surplus if Senator Symms' proposal comes to be.

What's more, the surplus was increased last December when the gas tax was raised but not spent. It's not just a question of spending, but a question of trust. Motorists pay a 14.1 percent gallon Federal tax. They believe this money is used to maintain roads. Instead, a big chunk goes to hide the size of the deficit. State and local governments, I believe, also must feel betrayed. Over this past year, many State and local governments raised their gas and user taxes to meet their transportation needs. Many of these increases were made with the understanding that those that helped themselves would be rewarded.

In Nevada, government leaders and citizens of Clarke County are raising $100 million a year in additional taxes for transportation. I might add this is a relatively small area; $100 million from Clarke

County, an area of less than one million people, is a significant amount of money.

I see nothing in the Administration's proposal that rewards this kind of effort. In fact, it seems like we're to be punished with the new matching requirements, some as low as 60/40. It's unlikely that Nevada and other States will be able to meet this match. It's been estimated the States will have to increase their own funds by nearly 65 percent just to keep the same level of construction activity. In other words, the new Federal formulas may leverage more money but with fewer results. Formula changes also cause what I call an escalator effect. That is, highway money in States will go to projects on the National highway system; projects of State and local priority will get less State money.

I'm also bothered by the new formula for apportioning funds; 70 percent is based on fuel use. You are, in effect, encouraging more driving, less efficient engines, and punishing efforts to conserve and meet clean air requirements.

This committee should carefully consider the proposals contained in the Administration bill, but our goal should be to produce a bill that retains current formulas and increases expenditures from the trust fund. These two simple steps will insure the integrity of our highway system.

Thank you very much, Mr. Chairman.

Senator **Burdick**. Well said, Harry.

Senator Lautenberg.

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator **Lautenberg**. Thank you, Mr. Chairman.

The Secretary and I have had an opportunity to meet frequently as Chairman of the Transportation Appropriations Subcommittee. We have a lot of contact and I must say that even though there is often disagreement, there is a lot of agreement and the Secretary, I think, performs his task exceptionally well. He knows something about transit systems having come from chairing one in the Chicago area, but I think it's fair to say that those things that he sought to do in that life are not necessarily carried through in this position. He marches to a different drum, I think it's fair to say and I don't want to put words in the Secretary's mouth, but I wish I could.

[Laughter.]

Senator **Lautenberg**. I note with interest some of my colleague's comments, one using the "P" word, pork. As Chairman of the Transportation Appropriations Subcommittee, sometimes I think I ought to be transferred to Agriculture because we do a lot of "P" work there.

[Laughter.]

Senator **Lautenberg**. And I always thought these were great and useful projects but we'll have to look at those who criticize the process and see if we can be fair in our presentation.

It was interesting to hear my colleague from Idaho make his comments. We do share a disappointment with the fact that for the first time income revenue that comes from gasoline taxes was used to reduce the deficit. I have always believed, and I think it's supported by the American people generally, and I know the people in New Jersey feel that way, that if they pay a tax for which they see a specific purpose, it's much more acceptable. They expect to see results from it and their biggest disappointment is when taxes go into a general hopper and they know not where it goeth.

I'm sorry that the Senator from Idaho had to leave because it was an interesting comment to hear him wanting to increase the deficit this morning, and I don't know how far that's going to go.

Senator **MOYNIHAN**. He left before he could ever hear that.

Senator **LAUTENBERG**. Well, it's in the record.

Mr. Chairman, I would ask consent that my full statement appear in the record.

Senator **BURDICK**. Without objection, so ordered.

Senator **LAUTENBERG**. My biggest concern, as I've indicated to Secretary Skinner, is in the lack of recognition of the facts that have been discussed by several of my colleagues here and that is the problem with congestion, the energy consumption, the loss of productivity, and the fouling of the air. I don't think that this bill really directs itself toward that.

What I am hopeful for is that we can get a more significant assist as we go along through flexibility. We are capped on the expenditure side by the budget agreement, but for transit.

Mr. Secretary, there's one other thing and we'll talk about it in the question period I hope, and that is the thought that perhaps some of the gas tax revenues ought to be used for intercity rail service so that we have the flexibility of applying the funds as each of the States sees its needs. That certainly would help on the conservation side to relieve not only the highway system, but the aviation system as we've discussed many times of having to provide short haul service that is neither efficient nor reliable.

So, Mr. Secretary, welcome, and I look forward to our continuing contact in the future.

Thank you very much, Mr. Chairman.

[Senator Lautenberg's statement follows:]

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Good morning, Mr. Secretary. It's good to see you again. As we discussed last week when you appeared before my transportation appropriations subcommittee, I have some serious concerns about the Administration's bill.

I can sum up those concerns by saying that I do not believe that the proposal represents a plan for the future. In fact, there are real questions about whether it meets the challenges many of our States are facing today.

Principal among those challenges is the serious need to improve the environment. We worked hard last year to pass a new Clean Air bill. The President endorsed it. But, in this legislation, the Administration seems to be forgetting that he did.

The bill would base highway allocations primarily on fuel consumption. States would be rewarded for encouraging more auto traffic, and effectively penalized for reducing that traffic, and the emissions that go with it.

For a State like New Jersey, which is in non-attainment of air quality standards, this presents a quandary: how does it match up its need to improve transportation with its need to improve air quality?

Far from helping answer that question, the Administration's bill puts those two goals at odds.

The bill also does not address the problem of metropolitan congestion. It's a real problem now, and is only going to get worse. The Federal Highway Administration estimates that Americans waste two billion hours and 1.3 billion gallons of fuel each year stuck in traffic. And the problem could worsen by 300–400 percent over the next 15 years, according to the GAO.

At that rate, families will have to live in mobile homes in order to spend any time together. But, the bill does little to address this problem. It should. Congestion in major metropolitan areas like northern New Jersey and New York has serious national ramifications. It delays the movement of commerce, and reduces productivity.

In a global economy that's becoming ever more competitive, we can't afford to become less mobile.

The reauthorization of the surface programs presents an important opportunity to help make transportation part of the solution to our problems, instead of a source of problems.

Working with this Committee and with you, I hope we can meet that challenge.

Senator BURDICK. Now in the batting order, we come to the principal hitter——

Senator CHAFEE. Mr. Chairman, could I insert in the record a statement from Senators Warner and Smith, both of whom were here earlier but had to leave for an Armed Services Committee markup. As I say, both of them were in attendance and left their statements with me to ask they be included in the record.

Senator BURDICK. Without objection.

Senator CHAFEE. Thank you.

[The statements referred to follow:]

OPENING STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

Mr. Chairman and members of the Committee, I am pleased the committee has begun the initial hearings which will provide the foundation for the discussions relating to the reauthorization of the Surface Transportation Assistance Act. I am looking forward to listening to the testimony of the Secretary of Transportation, Mr. Samuel S. Skinner, during today's session. The testimonies from the witnesses present today will help to clarify the Administration's fiscal year 1992 budget proposal for the Federal Highway Administration and also the recently released Surface Transportation Assistance Act of 1991.

Mr. Chairman, between July 1, 1956 and September 30, 1990, almost $4.5 billion in Federal funds were spent for the construction and reconstruction of the 1,069 mile Interstate System in my State of Virginia; and over $2 billion in Federal funds were used for the construction and reconstruction of other highways and bridges. The Federal Government has also been a partner in the recapitalization and revitalization of transit systems throughout the Commonwealth, spending $350 million during this same period.

The Commonwealth of Virginia, its local governments, and the private sector have dramatically increased their investments in transportation.

Virginia has demonstrated its commitment to providing superior transportation facilities and services through adoption in 1986 of a $10 billion, ten year program. The program includes new revenue sources for all modes, creation of a multi-modal Transportation Trust Fund, and the use of creative financing methods such as special taxing districts, public/private partnerships and private funding for the construction of transportation facilities.

Now and in the future, Virginia is prepared to meet its transportation responsibilities, but expects the Federal Government to reassume its traditional role in the historical Federal, State and local partnership through the development of a new, expanded national transportation program.

With completion of the original interstate System, we must shape the new national policy to preserve and improve on the investments of the past and to meet the priority needs of the future.

OPENING STATEMENT OF HON. BOB SMITH, U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

Mr. Chairman, our Committee faces quite a challenge this year with the reauthorization of surface transportation programs. I applaud the President and Secretary Skinner for submitting some excellent ideas for accomplishing this goal with their proposed new Federal Surface Transportation Act and 1992 Budget.

Among the best provisions of the administration's package are those to increase State flexibility in the use of scarce financial resources. With transportation needs varying by region, the people who manage funds—not Federal officials who distribute funds or review projects—are in the best position to target resources. The Federal role should be confined to setting broad transportation policy goals. I fully support the provisions of the Secretary's proposal which encourage this type of flexibility.

I also share the administration's interest in encouraging more private sector involvement in surface transportation. With Federal funds becoming increasingly scarce, public-private partnerships are a creative, cost-effective alternative for funding projects.

I would like to see more private sector involvement extended to mass transit as well. Transit use has fallen throughout the 1980's—indeed, since World War II—despite Federal efforts to keep it going with millions of Federal tax dollars. Today, transit serves only 5 percent of all commuters and only 25 percent of commuters in large cities, according to the Congressional Research Service. I seriously question the fairness of requiring all taxpayers to support a program that is lightly used and benefits only a tiny minority of Americans.

By contrast, bridge repair and maintenance is an area where the entire country could benefit from more funding. Of the more than 577,700 inventoried bridges in this country, 41 percent have been classified as either structurally deficient or functionally obsolete. In my home State of New Hampshire, the percentage of bridges in disrepair is even higher: 46 percent. I hope that bridge rehabilitation will be an important part of any new Surface Transportation Act produced by this Committee.

I also agree with Secretary Skinner that a five-year reauthorization makes sense. Not only does it encourage Congress to think long-term, but it lends continuity and stability so that the States can articulate comprehensive highway plans.

Finally, in proceeding with this reauthorization, we must move away from parochial concerns toward a broader policy for transportation. We must refrain from indulging in pork barrel projects and develop a national overview, with the emphasis on ensuring an equitable distribution of transportation funds to all States.

Mr. Chairman, I look forward to hearing the testimony of our witnesses. I also ask that I be permitted to submit an article from the National Journal for the Committee Record.

[The article referred to follows:]

Paying for the Roads

Much of the nation's highway system is crumbling, and government leaders at all levels are far from agreement on who should pick up the enormous tab for repairing or replacing roads and bridges.

BY KIRK VICTOR

The good news is that the nation's 43,000-mile interstate highway system, launched by President Eisenhower in 1956, is just about complete. The bad news is that the system is already falling apart. It will have to be maintained, repaired and replaced—and not in 1950s dollars.

"It's like painting the Golden Gate Bridge," Ralph L. Stanley, the urban mass transportation administrator in the Reagan Administration, said. "Once you're done, you start again."

Much of the nation's massive transportation network has deteriorated—from crumbling roads and bridges to dilapidated transit systems and congested airports—but government leaders in Washington and in the state capitals are not exactly eager to take on the enormous tab for fixing them—by some estimates, $750 billion.

The Bush Administration, in its proposed renewal of the federal highway program this year, is calling on the states—which now pay as little as 10 per cent of the cost—to pick up a larger share of construction costs in exchange for greater flexibility in deciding how to spend the money. But some state and local officials say that may make the problems worse.

"You've got an underinvestment in infrastructure in the United States, and while people argue over funding sources, this stuff gets older and—I'll say something that few people want to say—unsafer," Stanley said in an interview. But unlike policy makers who appear stymied by the enormity of the problems, Stanley sees opportunity in the morass.

"There's a huge capital market ready to meet this infrastructure need," he said. He recalled the co-generation policy that emerged out of the energy crisis of the late 1970s, when the federal government required utilities to buy power from a new market of alternative-energy

Richard A. Bloom

The tab for fixing the interstate system will be enormous.

producers ranging from windmills in California to small co-generation companies in Oklahoma. *(See NJ, 1/28/89, p. 233.)*

The same principle can work today, Stanley said. As the government begins to debate how to allocate scarce resources in the post-interstate highway era, there are "enormous capital markets and companies poised to see" whether similar government policies will facilitate private initiatives, he said.

Stanley, part salesman and part entrepreneur, has been pressing such an initiative. After spending the better part of the past two years working his way through the Virginia transportation bureaucracy, he says he has demonstrated that his ideas are feasible by winning approval of a $227.5 million project that will produce the first private toll highway in the state since 1816.

His company, Toll Road Corp. of Virginia, is proposing to build a 15-mile limited-access toll highway that will connect the existing toll road at Dulles International Airport to Leesburg, Va., and provide relief to a corridor that has experienced mushrooming growth and severe traffic congestion.

A state agency will monitor the operations of Stanley's company, and any excess revenues generated from the 10-cents-a-mile toll will go to a fund for secondary roads in Loudoun County. Stanley projects a healthy return of 14-16 per cent on investment, comparable to that of utilities. But he is quick to emphasize that his project is not a monopoly. He has plenty of competition from two toll-free roads that run parallel to the toll road.

WHO'LL PAY THE COSTS?

It isn't surprising that in an era of shrinking federal resources, privately financed toll projects that produce millions of dollars in local, state and federal taxes have been embraced by policy makers.

"We can't make privatization happen—developers and investors have to be out there willing to invest in it," Transportation Secretary Samuel K. Skinner said in a recent interview. "But we certainly try to encourage it wherever we can." The department's encouragement, including what Skinner promised would be "a big, big press on toll roads," has apparently helped to create a national environment conducive to such projects. California recently enacted legislation similar to Virginia's that let four private toll projects move ahead, and more than a dozen other states are also exploring the idea.

Stanley's project also is important to officials who are all too aware that Americans' love affair with the automobile appears to be getting hotter, despite the efforts of mass transit and energy conservation advocates who are pressing for less reliance on the car as the favored mode of transportation. More than 85 per cent of the nation's workers still get to their jobs in privately owned cars and trucks—a figure that will hold steady until the year 2020, according to the Highway Users Federation, which represents truckers as well as casual motorists. Nearly two-thirds of today's peak-hour traffic on urban interstate highways moves at under 35 miles per hour.

Not everyone is comfortable with the idea of private tollways, of course. Some critics, including the American Automobile Association (AAA), say that tolls contribute to a two-tier society, with the more affluent having access to pay roads and the less fortunate being relegated to the crowded freeways. Others express doubt that private-sector solutions will make much of a dent in the enormous transportation problems that the nation confronts.

"It's a blip. For all the talk about it, there is very little that has actually happened with privately financed toll roads," said Louis J. Gambaccini, chief operations officer-general manager of the Philadelphia-based Southeastern Pennsylvania Transportation Authority. "I don't think much of patchwork solutions."

Janet Oakley, manager of the transportation group at the National Association of Regional Councils, which represents councils of local elected governments in metropolitan and rural regions, agrees. "We got the federal government involved in the transportation infrastructure game for a reason: There is clearly a federal responsibility," she said. "There are never any simple answers to complex problems. The infrastructure financing question is very complex, and to try and solve it by privatization is just, I think, ludicrous, with its simplistic, pat answers."

Even as the debate over privatization is intensifying, Stanley and other infrastructure entrepreneurs have lots of company from other interest groups jockeying to profit from a piece of the infrastructure of the future. A bruising battle is shaping up among state and local governments, transit authorities, highway users—including the powerful trucking lobby—railroads, contractors, safety advocates and labor unions.

The stakes for these groups are particularly high this year because the legislative authorization for surface transportation programs expires on Sept. 30. Many observers point out that for the first time since the interstate program was begun, the government has rethought its priorities.

"We're in uncharted ground here; we're dealing with something other than the interstate system," said William F. Clinger Jr., R-Pa., chairman of the House Republican Wednesday Group's task force on infrastructure and a member of the Public Works and Transportation Committee.

John Eastt

Former urban mass transit chief Ralph L. Stanley America underinvests in transportation infrastructure.

A SHARE OF THE MONEY

The interstate system has always framed the legislative debate on highway aid, and this year, one of the stickiest areas of contention will be whether the financing formulas that govern the program should be changed. If that attempt is made, it could set off a series of tough regional and state battles for shares of the federal money.

Another constant source of contention is the status of the federal highway trust

THE INFRASTRUCTURE 'DEFICIT'

In Philadelphia, it's a transit system in shambles; in New York City, it's deteriorated bridges that have grabbed the headlines and cost several top city officials their jobs for speaking too candidly about the dangers the bridges pose.

Across the country, unaddressed transportation infrastructure problems have become so serious that some economists and policy makers describe them as "America's Third Deficit." But there may be a silver lining in that cloud: More spending on infrastructure may be just the antidote for lifting the country out of the recession.

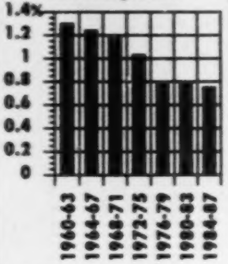
A full-scale public capital investment strategy would facilitate more growth in the U.S. economy than would tax cuts intended to encourage private investment, argues David Alan Aschauer, who until recently was a senior economist with the Federal Reserve Bank of Chicago and is now a professor at Bates College.

More than half of the decline in U.S. productivity over the past two decades can be explained by lower spending on public infrastructure, Aschauer contends in a recent report published by the liberal Economic Policy Institute. Contrary to the notion that public investment displaces private investment, Aschauer's conclusion is that each additional dollar of public investment would raise private investment by 45 cents within four to five years.

Aschauer's critics have complained that he has exaggerated the importance of his findings. They contend that he has failed to demonstrate a clear link between the slowdown in infrastructure spending and sluggish productivity and has ignored other factors that may have contributed to the slowdown.

INVESTING IN TRANSPORTATION

Government investment as a percentage of gross national product



SOURCE: American Association of State Highway and Transportation Officials

Nevertheless, top Transportation Department officials have quoted Aschauer's research favorably, and road contractors, bridge builders and other interest groups are only too happy to point to his work as support for their argument that more money should be spent on the infrastructure.

The chart on this page shows that less than 1 per cent of the nation's economic resources are invested in transportation—a decline of almost half from what it was 25 years ago.

fund that was established in 1956. Financed by fuel and other transportation taxes, the fund has traditionally been dedicated to the construction and upgrading of the national highway system. *(See box, p 378.)*

But billions of dollars remain unspent in the trust fund, and all elements of the transportation interest-group community are clamoring for disbursement of those funds, which they contend have been used by the federal government to help disguise the magnitude of the over-all budget deficit. Transportation interests were almost apoplectic when, as part of last year's budget agreement, half of the proceeds from the five-cent gasoline tax increase went toward general budget reduction rather than for the highway and transit program. That was the first time highway fuel taxes had been earmarked for other than transportation spending.

"Given the unmet highway needs in every state in the union, that is a loss of revenue we cannot and should not sustain," Sen. Steven D. Symms, R-Idaho, a member of the Environment and Public Works Committee, said in a December speech to the American Association of State Highway and Transportation Officials (AASHTO).

As a result of that unhappy experience, AAA and some others favor a simple two-year extension of the highway bill rather than the five-year program that Skinner has proposed. They fear that there isn't enough time for Congress to give serious consideration to a longer-term, more comprehensive measure before the highway program expires on Sept. 30. And they worry that the House Ways and Means Committee might be tempted to siphon off funds earmarked for transportation to reduce the budget deficit. By law, reauthorization of the highway program must include authority to levy gasoline taxes for two years beyond the bill's spending authority; because last year's gasoline tax increase reauthorized the trust fund through 1995, a two-year bill would not have to go to Ways and Means.

"I know everybody shares my desire to spend the trust fund," Skinner said in the interview. Nevertheless, there is some skepticism about the Bush Administration's intentions.

Rep. Norman Y. Mineta, D-Calif., chairman of the Public Works and Transportation Subcommittee on Surface Transportation, is one of the skeptics. In an interview, he said that drawing down of the trust fund is being resisted by the Administration's "four Darth Vaders": White House chief of staff John H. Sununu, Office of Management and Budget director Richard G. Darman, White House economic and domestic policy adviser Roger B. Porter and Council of Economic Advisers chairman Michael J. Boskin. The implication is that they are being guided by over-all budget considerations.

THE SYSTEM'S WOES

Notwithstanding such criticism, Skinner makes no bones about joining the chorus of those in the transportation community who predict dire economic consequences if the country's transportation needs aren't addressed. "Failure to invest in infrastructure equals economic decline," he declared in a recent speech to the AASHTO. "We simply cannot allow a deteriorating U.S. infrastructure to threaten our economy and our international competitiveness at this time." *(See box, this page.)*

Skinner is not kidding when he speaks of the transportation system's woes. The Federal Highway Administration's catalogue of ailments includes structural deficiencies in 23 per cent of the nation's 575,000 highway bridges and functional obsolescence for another 19 per cent.

Other Transportation Department statistics point to widespread congestion in many of the nation's highway corridors, causing delays in urban areas that add up to more than two billion wasted hours each year, at a cost of billions of dollars in lost working hours and economic production.

By 2005, according to a General Accounting Office report, urban traffic congestion will jump by 300 per cent, wasting 7.3 billion gallons of motor fuel and costing highway users $50 billion annually. Estimates of the cost of fully repairing the country's roads and bridges go as high as $750 billion. That exceeds estimates of the sum needed to deal with the savings and loan debacle.

Into this gloomy picture step the advocates of various competing transportation modes, who have published reams of reports and brochures to further their efforts to get as big a chunk of dwindling federal resources as possible.

Skinner has already begun pressing for peace among the groups. He noted in his AASHTO speech that his successful push last year for comprehensive aviation legislation was attributable to the competing parties' willingness to achieve a consensus. That result can also be accomplished in surface transportation, he said, "if and only if all parties can set aside parochial concerns and work together for the common good."

"What we cannot afford is the kind of potential battle lines being drawn by the rail and trucking industries against each other," Skinner continued. "Competition between these great industries is healthy, but open warfare would not be good for the economy."

To some in the transportation community, whether longer and heavier trucks should be allowed to use the highways is a critical issue involving questions of safety, congestion, highway wear and tear, trucking industry productivity and the railroads' survival. But Skinner, despite his insistence that America's economic well-being is closely tied to a healthy transportation system, said in the interview that his department was "on the sidelines" on the issue. *(See NJ, 11/24/90, p. 2852.)*

He said that he lacked sufficient information to get involved in such a "parochial issue" and that it did not "make sense" for the department to take a stand. But Mineta, accusing Transportation of ducking the debate, pointed out that the department involved itself in many "parochial" issues, including, for example, whether airlines should be permitted to use certain routes.

Some industry observers suggest that Skinner is dreaming if he really thinks the intensely competitive transportation modes and the state and local governments will reach a consensus "for the common good."

Lester P. Lamm, president of the Highway Users Federation, expressed concern that "as we refocus the priorities after the interstate era," a series of struggles for shares of the federal money will erupt. States will be contending against each other, urban interests will be pitted against rural, region against region and defenders of economic growth against advocates of no growth.

Transportation chief Samuel K. Skinner He wants states to have more authority.

"That could really split the Congress," Lamm said, and make it very hard to get a highway bill through by Sept. 30.

"This is not just your run-of-the-mill five-year extension of the highway program," said Peter A. Peyser Jr. of Peyser Associates, a Washington-based lobbying firm that represents public transit authorities and city governments. "It's an entire new program that will probably be with us in some form for the next 20 years. Asking the highway community to link up effectively with the transit community and the environmental community is tricky and . . . will take a measure of diplomacy that doesn't seem to exist at this point."

Peyser and other mass transit lobbyists argue that environmental concerns should tip the scales in favor of expanding the federal mass transit aid program. But they also know that they are in for a battle with highway advocates.

Decrying the "the power of the highway lobby" in influencing policy, Jack R. Gilstrap, executive vice president of the American Public Transit Association, accused the Administration of giving short shrift to the need for a national energy policy that is sensitive to fuel conservation and ride sharing.

But Stanley said that the mass transit program has been measured more by what it spends than what it buys. "We ought to look at delivering more ridership, not more money," he said. He recalled telling mass transit advocates: "I'm not there to support bus manufacturers, large civil engineering firms and construction companies. It's run for people who sit in bus seats."

Skinner also noted in the interview that Congress and the Administration would be a lot more receptive to increased funds for transit "if the mass transit organizations in this country could find more ways to more effectively deal with the problems of suburban congestion. . . . We want to put the resources where people are going."

Even as transportation groups battle over scarce resources, Congress may also

National Association of Regional Councils transportation aide Janet Oakley Skinner's plan merely "fills a public relations gap" and ignores key problems.

WHOSE FIGURES DO YOU TRUST?

Transportation interest groups that decry the slowdown in federal spending on highways and bridges are particularly irked by the government's refusal to spend the money it has already collected in the highway trust fund. But Transportation Department officials argue that all of the money has already been committed to projects under way.

Since 1956, the trust fund, along with matching state funds, has paid for building, replacing or repairing more than half a million miles of roads, including the interstate system. The trust fund has also provided the money to restore or replace about 18,000 bridges. (Beginning in 1982, part of the trust fund, supported by a penny-a-gallon motor fuel tax, was earmarked for transit.)

Highway users have contributed more than $200 billion to the fund in the form of motor fuel taxes and other transportation levies, but the federal government has held back a chunk of that money, including virtually all of the interest it earns. As of Dec. 31, 1989, the trust fund had collected about $228 billion and had paid out about $212 billion to the states over all, leaving an apparent $16 billion surplus at that point.

The trust fund is drawn down through a process in which the federal government obligates money to the states for approved highway and bridge projects but does not actually shift the money out of the fund and into the hands of the states until the states ask for reimbursement. As a result, trust fund expenditures lag behind obligations by about two years, and revenues accumulate in the fund.

The Bush Administration estimates that the cash balance will top $22 billion by the end of 1992, but federal officials also maintain that this money is more than offset by obligations to approved projects—more than $4 billion above the nominal surplus, at this point. Rejecting that argument, Rep. Robert A. Roe, D-N.J., chairman of the Public Works and Transportation Committee, said in a statement that the large cash balance was being used "to make the [over-all federal budget] deficit look smaller at the expense of our future economic strength."

The following table, based on data from Transportation's Federal Highway Administration, sets out the accumulated trust fund balances over the years, including both highway and mass transit accounts (in millions of dollars, by fiscal year).

	Receipts	**Expenditures**	**Balance**
1957-79	$108,566	$96,002	$12,564
1980	7,647	9,212	10,999
1981	7,434	9,174	9,259
1982	7,822	8,035	9,046
1983	9,375	8,840	9,581
1984	12,858	10,617	11,822
1985	14,326	13,263	12,884
1986	14,701	14,813	12,773
1987	14,310	13,469	13,614
1988	15,307	13,829	14,187
1989	15,628	14,451	16,608
Total	**$228,011**	**$211,848**	**$16,163**

find it difficult to resist feeding at the public works trough. Though Mineta makes a strong pitch to keep pork barrel projects to a minimum and to seek a "rational, national, big-picture transportation policy," he conceded that Congress had never taken such an approach in highway debates.

When a Member votes on highway legislation, he or she asks only one question, John F. Haifley, AAA's director of federal relations, said: "Did my state make out or lose?"

A wild card in this process is the change in the House Public Works Committee's leadership. Though Mineta led the charge to unseat chairman Glenn M. Anderson, D-Calif., the chairmanship went to Robert A. Roe, D-N.J. Roe, who declined to be interviewed until he has completed his review of the transportation programs, has historically taken a different view of public works spending.

"Pork barrel is infrastructure spelled backwards," Roe once said, according to *The Record*, a Hackensack (N.J.) newspaper. He has a solid reputation for delivering projects to colleagues to meet the needs of their districts. So his relationship with Mineta is being viewed with intense curiosity by transportation lobbyists.

Mineta recalled that when he was chairman of the Aviation Subcommittee a few years ago, he wrote two major pieces of legislation and "kept them clean of all demonstration projects"—those projects that sometimes appear geared primarily to helping politicians show their constituents that they can bring home the bacon.

Mineta said that he was not necessarily against such projects but added that it was important to have a sound rationale for supporting funds for one bridge project instead of another.

Robert W. Poole Jr., an unabashed advocate of highway privatization and president of the Reason Foundation, a Santa Monica (Calif.)-based research organization that touts private market solutions, said he agrees with Mineta that "perverse consequences" flow from the political imperative of "directing money . . . to every congressional district." It means that money gets spent for low-priority projects, he said.

Mineta recently toured Ohio and West Virginia and said he was struck by the fact that half of Interstate 70, a key Ohio highway, was closed because of disrepair. In West Virginia, on the other hand, he said he found a beautiful divided highway that carries a fraction of the traffic that uses the interstate in his San Jose district and highways in other urban areas.

He said he understood the power of retired Sen. Jennings Randolph, D-Va., who headed the Environment and Public Works Committee, and of Sen. Robert C. Byrd, D-W.Va., the former Majority Leader and now chairman of the Appropriations Committee, "but from a national transportation perspective, does it really make sense?"

Clinger said that Skinner is sensitive to the problems of pork, as shown by his department's decision to push for a national highway system as a successor to the interstate program. "It tries to bring some order out of what has been in the past a very pork barrel kind of a situation . . . [by] establishing up front what are identifed as highways that should get some attention," he said.

SHARING THE BURDEN

The department proposes spending almost $88 billion for highway construction and rehabilitation over the next five years. Though Skinner argues that the approach will give states greater flexibility in spending the federal funds, Mineta in a Feb. 4 speech called it "the wrong way to go" because it would increase the fiscal burden of state governments.

The newly designated national highway system would include about 150,000 miles of roads of particular commercial importance. These highways would be eligible for the most favorable category of federal matching funds—$75 in federal money for every $100 in highway costs. A second group of roads and mass transit systems would be entitled to reduced federal support—60 per cent of costs—but state officials would be given a high degree of flexibility in deciding how to spend the federal funds. By contrast, the federal match is 90-10 on the interstate system.

Skinner said he was trying to give the states more authority in exchange for their raising more local matching funds to pair with the federal aid.

But highway interests will worry that too much money will go to mass transit, and transit interests will fear that highways will get most of the funds. AASHTO executive director Francis B. Francois said: "The trick is that you need to make sure there is fairness in all modes. That will be one of the challenges."

Critics have been quick to pounce on the idea of a new national highway system. Carl Williams, assistant director of California's Transportation Department, ridiculed the idea as a "highway system of political expedience." A 150,000-mile system, he said, far exceeds what is needed and would merely satisfy political constituencies that realize that the more miles they can get included in the system, the more federal money they will receive.

Oakley of the National Association of Regional Councils said the plan "fills a public relations gap left by the completion of the interstate system." But it ignores the need in urban areas to address issues of congestion and air pollution, she said.

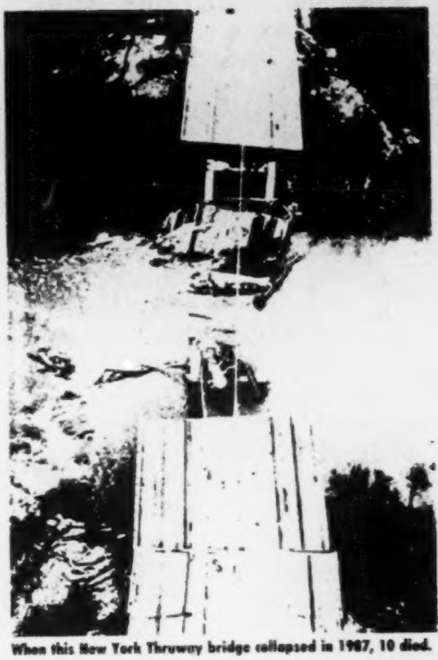
She also noted that the federal matching share of transit costs will continue to be lower than for highways. "It creates a bias toward investments in facilities that have a better matching ratio," she said.

"I don't want the matching apportionment formula to be the determinant for what a state or local official will do," Mineta said. "I want to eliminate that bias."

Not surprisingly, state and local officials also have expressed unhappiness with the prospect of a reduced federal share at a time when they are already contributing $63 billion of the total $82 billion spent on surface transportation. Gov. Wallace G. Wilkinson, D-Ky., testified before Mineta's subcommittee last year that wringing more dollars from the states would divert resources from the four million miles of roadway that are not part of the proposed national highway system and that the proposal fails to recognize that 39 states raised their highway taxes in the past five years.

"I admit to shifting the responsibility" to state and local governments, Skinner said, adding that the states and localities should be picking up more than the 10 per cent of construction costs required for interstate highways.

Another looming battle involves the number of miles that states will be able to include in each category of highways, as well as whether the program will deliver sufficient federal funds to deal with the nation's most dilapidated bridges.



When this New York Thruway bridge collapsed in 1987, 10 died.

Skinner acknowledged that the proposed new program can't assure better roads and bridges. Two years from now, he said, the roads system will be improved only in some areas. If states choose not to deal with their highway problems, he said, "all the help from Washington that we give them is not going to be enough." ■

Richard A. Bloom

Rep. Norman Y. Mineta, chairman of the Surface Transportation Subcommittee He says he favors a "rational, national, big-picture transportation policy."

Senator **Burdick**. As I said, the principal actor is now about to appear, the Honorable Samuel Skinner, Secretary, U.S. Department of Transportation, Washington, D.C., accompanied by Mr. Eugene McCormick, Deputy Administrator. You may proceed.

STATEMENT OF HON. SAMUEL K. SKINNER, SECRETARY, U.S. DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY EUGENE R. McCORMICK, DEPUTY ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Secretary **Skinner**. Thank you, Mr. Chairman.

I'm delighted to be here before so many members of the committee. I appreciate the kind comments as well as the observations that so many of the members of the committee made.

I have prepared remarks which I would like to have made part of the record, if I may so do.

Senator **Burdick**. Without objection, so ordered.

Secretary **Skinner**. I would just make some brief observations and then given the number of members here, save most of the time for questions.

Number one, we believe—at the Administration and Department—we have a good start on the reauthorization of the surface transportation reauthorization process. We do not believe this bill is in anywhere close to its final version. We recognize, just as members of this committee recognize, that there are differences of opinion between rural and urban areas and the Congress of the United States is the proper place to resolve those very delicate balancing issues.

We believe that this bill does recognize the problems of financing, and, while we anxiously await the report of the CBO, I would comment that when you take out demonstration projects from the base, there is very substantial growth in the program, especially in the out years.

The program recognizes the need for flexibility, for greater local control, and the need to leverage Federal dollars more than we have in the past. It recognizes the need to deal with the problems of congestion and therefore, has programs encouraging congestion pricing measures, as high occupancy vehicle lanes, and many of the other things that will not only reduce the consumption of gasoline but reduce congestion and encourage people to travel at the nonpeak times or, if at peak times, with multipassengers in the vehicle.

As I said, we think it's a good start. We think it recognizes the importance of highway safety as well as investment in mass transit and highway infrastructure. It brings a good balance between the State and the Federal Government and has a good balance among States.

It was developed with input from all 50 States and the Territories through a very extensive outreach process and while we have presented an illustrative first cut at the National Highway System, I think it is recognized in the bill that this process is an evolving process. The final form of the National Highway System would not be developed until two years after the authorization actually was signed into law so that many of the States and localities will have time to develop their justification and their reasoning until the final bill and the final system is put into place.

With that in mind, I welcome the opportunity to work with the committee, recognizing that time is of the essence. I am encouraged from everything I hear in both the House and the Senate that we can have a bill by the latter part of this summer before the fall begins and get it basically signed and into law and before the current authorization expires.

With that, I'd entertain questions.

Senator BURDICK. Mr. Secretary, the proposed bill raises the State match to 40 percent for urban and rural projects. It has been said that the match would require States to raise taxes. Does the Administration agree?

Secretary SKINNER. I think a number of States, in order to meet the match requirements in the legislation, will be seeking to raise taxes. Based on our estimate and the highway users Federal survey, 27 States are expected to consider higher motor vehicle taxes this year. This is a process that's been ongoing for some time and I believe that the match ratios are reasonable and that the States can raise the funds, especially since, as one of the Senators indicated, the user who pays these taxes has some degree of certainty that the money will be spent on highway infrastructure.

Senator BURDICK. The Congressional Budget Offices finds that the Administration's budget proposes no increases in program levels for highways in real and inflation-adjusted terms until fiscal year 1996. How does the OTA calculate a 39 percent increase?

Secretary SKINNER. I haven't had the opportunity to look at the Congressional Budget Office report. We believe that in the first three years, the budget authority growth in the program is 6.6 percent over current services. For the full five years, the growth is 10 percent above current services. When you consider we're going up from $12 billion last year to $20 billion in 1996, that clearly exceeds the rate of inflation.

Once we've gotten the CBO report, we'll analyze it and report back to the committee, but the numbers that we have include real growth in all of the years, especially when you exclude the highway demos that are not in the base of the current program.

Senator BURDICK. The DOT bill has a formula based 70 percent on fuel use. Given that, what incentive is there for States to reduce fuel use to meet energy conservation and clean air goals?

Secretary SKINNER. Well, first of all, we basically have taken a very complex system of apportionment and made a relatively easier way to ascertain the flow of funds from the various programs.

We believe that the program does contain a number of incentives, including higher funding levels for high occupancy vehicle lanes, congestion pricing and a number of other things that will reduce congestion. The biggest thing we can do to reduce the use of gasoline is to reduce congestion on the highway.

One number that is of interest is that most of the highway fuel consumption is on highways in congested areas. Urban mass transit systems serve 41 billion passenger miles a year. If we were to double the number of passenger miles on the system completely, and all of this came from single occupancy vehicles which were taken off the road, and the driver was put into a mass transit system, highway fuel consumption would decline only by 1.5 percent nationwide.

There is a huge need to deal with the problems of highway congestion throughout this country. We believe that the apportionment system that we have properly deals with the allocation of funding and still keeps substantial funding for mass transit, especially with the match ratios.

Senator **BURDICK**. Senator Chafee.

Senator **CHAFEE**. Thank you, Mr. Chairman.

Mr. Secretary, I'd like to first move to the arguments that are presented by the truckers. The trucking industry, as you know, has argued for more permissive authority to allow States to increase the weight limits in order to make the longer combination vehicles, triple trailers and so-called Double 48s, more productive. What's your position on that matter? One, do you support increase in Federal truck size and weight laws? Two, do you support the optional use, in other words, making it permissive to the States?

Secretary **SKINNER**. Well, at this point, we've taken the position that no change in current law is appropriate and we've provided no changes in the surface transportation reauthorization from current law as it relates to truck weight size and length. We don't believe that this issue belongs in this bill and we feel that if, in fact, the Congress wants to move a bill along those lines, it should be considered outside this process.

Senator **CHAFEE**. Mr. Secretary, but wouldn't it have an effect on both safety and the deterioration of the highways? In other words, I don't think there's a matter that should be just considered in a vacuum. It clearly affects the highway system, doesn't it?

Secretary **SKINNER**. If you find valid the arguments that are made by those that oppose the increase in weight and truck length, then it clearly would have an impact. If you accept the arguments of those that advocate an increase and say it does not compromise safety, you would reach the opposite conclusion. I think the Congress could properly describe a process to make the appropriate decisions after analyzing both sides. I just haven't had a chance to focus on it, nor do I think it's appropriate at this time.

Senator **CHAFEE**. Well, I hope you will give it some consideration because obviously that's going to be one of the things before us and we need guidance from you or from your folks on it, both on the safety and on the effect on the condition of the highways.

The second question, you and the President have set safety goals of reducing fatalities in the Nation and on our highways. By the way, it's my understanding that if you take it on vehicle miles traveled, that indeed in the past 10 years, we have reduced the number of highway deaths by close to 50 percent. That doesn't mean the number of deaths have decreased, but the number of deaths per vehicle mile traveled, that is billion vehicle miles traveled has come down.

However, the number of deaths has remained, if not constant, increasing at around 45,000 a year. In addition to the 45,000, which is close to the total number of American lives lost in the 7-year Vietnam War, we've got to talk about the literally millions that are very, very severely injured.

So you, Mr. Secretary, and the President have set a goal of achieving a 70 percent vehicle seatbelt use by 1992. Am I correct in that goal?

Secretary SKINNER. Yes, that's correct. We have a program of 72 in 1992. That doesn't mean 70 candidates in 1992.

Senator CHAFEE. Do you believe that seatbelt and motorcycle helmet laws will help you achieve the goal of reducing fatalities?

Secretary SKINNER. We believe that there are a number of State-implemented safety programs that make sense and should be considered by the Congress. We believe that it should be done through a safety bonus program rather than by sanctions, and we look forward to working with the committee on defining the programs that would fit into that category and working with them in setting it up not only for alcohol and drugs but also including other programs relating to vehicles and other issues relating to safety.

Senator CHAFEE. I'm close to the end of my time, Mr. Chairman, but as you know, I have supported the sanction approach and, indeed, that's the way we achieved the minimum drinking age at 21, through the sanctions. That worked pretty well. What's the matter with that approach?

Secretary SKINNER. Well, the President and I share the opinion that incentives rather than penalties are the appropriate way and we share the same goals. It's a function of how to get there and what's the most effective way to get there. We believe that the bonus or incentive program ought to be the way.

Senator CHAFEE. With my time up, I just want to commend you for what you've done in the program on the highway beautification, particularly the billboard control provisions. I want to thank you for that.

My time is up, I see, Mr. Chairman. We'll have another round, I presume.

Senator BURDICK. Yes.

Senator CHAFEE. Thank you, Mr. Chairman.

Senator BURDICK. Senator Lieberman.

Senator LIEBERMAN. Thank you, Mr. Chairman.

Mr. Secretary, I'd like to pick up on a question that the Chairman asked you about the reliance on fuel consumption as a substantial basis for the apportionment formula because on the face of it, that certainly appears to be contrary to our national energy efficiency and conservation goals, and also seems to fly in the face of the committee's magnum opus of the last session which is the Clean Air Act.

I want you to address the question of whether there is reason to be concerned that the formula actually will punish States that pass aggressive fuel economy laws or seek to reduce the number of cars on the road pursuant to the Clean Air Act.

Secretary SKINNER. We believe that it does not. As to the Clean Air Act, we think we have several provisions in the bill, Senator, that enhance the Clean Air Act and are consistent with that law's implementation. First of all, we strengthened the planning process including a requirement that Statewide transportation planning be carried out in coordination with the State's implementation plan for clean air. We've called for new congestion management systems which we believe will do a great deal toward eliminating congestion, and will eliminate a good portion of the emissions that create the problem.

We've provided in our Urban and Rural Program for flexibility of funds transfer from urban highway programs to mass transit programs as the State decides. We believe all of those go a long way to enhance the clean environment that we all seek and at the same time we recognize that much can be done in the area of congestion reduction.

The program that we've come up with for allocation and apportionment takes a current formula program, which is kind of a patchwork, and deals with and establishes a program of four different factors. Seventy percent would be based on fuel consumption, 15 percent on public road miles, and 15 percent on land area, with an adjustment for low population density. We think this is a proper balance and about as good a way as you can apportion the funds. When combined with the many parts of the bill that provide for incentives as well as encouragement for congestion reduction, we think we are making a significant dent in the problem of dirty emissions from automobiles.

Senator LIEBERMAN. Well, I appreciate the steps that you've enumerated that are consistent with the Clean Air Act goals but I'm concerned that so long as we've got an apportionment formula that's based 70 percent on fuel consumption that we are going to undercut not only the Clean Air Act but those other worthy parts of the Administration's proposal. Am I wrong?

Secretary SKINNER. We are attempting to move, as part of the Administration approach, to a user-based formula because we believe that system has more credibility and it has more acceptability. The 70 percent factor is the best way we've found to measure usage which we think is very important. What we want to do is put money where the usage is, especially where the congestion is.

I think while people say there might be a disincentive, we feel other provisions in the bill more than compensate for that. If we reduce congestion in those congested areas where there is no alternative to highway construction, we'll we doing more to clean up the environment.

We've all spent time on the highways in California. If we were able to eliminate a substantial portion of the congestion in California, we could do more than any other thing including probably the entire Clean Air Act in cleaning up the environment of Southern California. That congestion factor of California is becoming a bigger issue in many other places throughout this country.

Senator LIEBERMAN. I have a feeling this dialogue is going to continue between you, me, and members of the committee, and the Congress but I'd like to leave this one with the hope that we might be able to find a way to continue to work toward a formula, which you've done, which is a step in the right direction, to try to give some credit here for reduced fuel consumption programs and some of the other programs that would be undertaken by the States that might be consistent with some of these other national goals.

In that sense, I guess I appreciate what you said earlier which is you view this bill as a start. I hope we can work together on that.

Secretary SKINNER. Thank you, Senator.

Senator LIEBERMAN. Let me just ask you a hometown question that I raised in my opening statement very briefly which is my concern that the formula for bridge funding will penalize States such as Connecticut which have unfortunately because of the tragedy of the Myannis River Bridge falling about eight years ago, embarked on a very ambitious program to fix up our bridges and yet we still have a lot of bridges that are in need of repair.

Under this formula, as I understand it and the State understands it, we and other States in our position are going to suffer. Would you respond to that and are you open to discussions about how to make it, in our opinion, more fair?

Secretary SKINNER. I'd ask Mr. McCormick to answer that question.

Mr. McCORMICK. Senator, there is misconception floating around regarding what the bill proposes in terms of a level of service approach to bridge apportionment. I want to offer the assurance to the entire committee that we anticipate issuing within the next three to four weeks proposed rules and regulations which spell out specifically how we would suggest that level of service be implemented. Proposed rules will be available for comment by all involved parties before we finalize the answer. I hope it's a subject that receives much scrutiny and input during the summer.

Senator LIEBERMAN. I'd look forward to that and I take it what you're saying is that the concerns of our State are premature or off base?

Mr. McCORMICK. Let me just try to define very briefly the level of service concept in determining bridge needs. It tries to distinguish between bridges in our country that are of more importance and those of lesser importance, and tries to place more weight on those of more importance. That is the general concept and the general approach.

You mentioned in your opening comments a little bit of concern I think along those lines, so in that respect, your concern is somewhat relevant, but again, I would urge that everyone wait until they see specifically what it is.

Senator LIEBERMAN. I look forward to working with you on that. Thank you, Mr. Chairman.

Senator BURDICK. Senator Moynihan.

Senator MOYNIHAN. Just briefly, Mr. Chairman.

Did I heard you, Mr. Secretary, that you have a list of 31 States that have raised their motor vehicle consumption costs—27, 31?

Secretary SKINNER. Twenty-seven are considering raising taxes. Consideration ranges from the beginning stages of a proposal through serious consideration. We'll be glad to furnish a list of those States to the committee.

[The list referred to follows:]

STATES CONSIDERING GAS TAX CHANGES

Twenty-seven States are expected to consider higher motor fuel taxes in 1991. They are: Alabama, Alaska, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Indiana, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, Washington, Wisconsin, Wyoming.

SOURCE. HUFSAM '91 State Legislative Forecast; Winter 1991.

Senator **Moynihan**. The idea of changing the formula of Federal aid from the 90/10 of the interstate system, 95/5 in parts, which we set up in 1955, and this is something we have a feeling for in New York State. The interstate highway system was a proposal of Franklin D. Roosevelt, as a post-war public works program. The image of it grew out of the World's Fair in 1939, the General Motors Futurama Exhibit out at Flushing Meadows.

The first section was built in New York State, the New York State Thruway and a great civil engineer, Burt Tolemy, came down to take over the program in the old Bureau of Public Roads and the Department of Commerce. We built it as a toll road. We know some of these matters.

Having built it as a toll road, we were sparing in terms of having to know what would return a price, the pricing system. When the Federal program began, built exactly to the specifications of the thruway, there was no pricing system, you got the money almost for free—$0.10 on the dollar, $0.05 cents on the dollar.

That was devastating to American cities. I repeat, 57 percent of the interstate money was spent in cities and they just smashed them. They'll never look the same; we're already beginning to forget what they looked like.

I would have been very sympathetic in 1955 to a 60/40 arrangement, but with the majority of States in desperate fiscal troubles right now, and I mean desperate. Anybody here who has a State with a surplus? Anybody here that has a State that's not going to raise taxes, cut programs? This, sir, is not the year.

On the other hand, your idea of pricing—as Senator Lieberman was trying to say, and others—financing a system by a fuel tax is a form of pricing, you reward certain kinds of expenditure and discourage others. We'd just like to think about that.

Congestion pricing could be something very interesting which sort of charges monies at certain hours, although we've had testimony that you'd be surprised how little actual commuting is done during those congestion hours—people are shopping, not just coming back and forth.

One of the things we want to put in this bill is more information gathering. We're surprised—don't you all feel from our hearings that the people came and said, we wish we knew more and we can learn more on tolls and techniques.

I'd like to ask you specifically about section 112 in which you contemplate that toll facility agreements reached under section 105 of the Highway Act of 1978 can be renegotiated. I take it that is a good faith commitment? It wouldn't be in your bill if it wasn't.

There are a number of States—mine—the thruway was built as a toll road—which we feel we should have had it built the way others were. In the first place, we should have paid off our tolls, we'd have had a few years maintenance money. We'd appreciate that forgiveness, as would West Virginia.

We'd like to talk more about the technology of congestion pricing. Could you tell us a little bit about that? I don't want to see another bunch of toll booths where everybody jams up for another quarter of a mile and form congestion itself. As a matter of fact, that is what led to Mag-Lev, the congestion in front of the Bronx Whitestone Bridge crossing from Long Island to the mainland that a young nuclear engineer in 1960, in that seven minute weight, thought up Mag-Lev. Do you have any thoughts on that? My time has run out.

Secretary **SKINNER**. Number one, we believe that a greater local match is appropriate; it is doable. We believe that as we give States more flexibility, we also ought to give them more responsibility. We believe that will mean that better projects are built and more thought will be given to the programs and that they will be better managed.

There is no such thing as free money from Washington. You have a greater local review and authority and the taxpayers are closer to their project, so that's a principle that we believe in very strongly.

We also believe that congestion pricing, especially with some of the technology that you talked about that's coming on- line offers greater opportunities. One technology I know of is a reader, a radio RF reader that reads off a card on a windshield that automatically bills on your credit card as you go off an exit, or go on an exit.

I would say that we would look forward to working with the New York State Thruway and other thruways so that they could continue to collect tolls and hand out those tickets for the purpose of highway and infrastructure rebuilding. We think that's what that flexibility means.

Senator **MOYNIHAN**. Thank you.

Senator **BURDICK**. Senator Graham.

Senator **GRAHAM**. Thank you, Mr. Chairman.

I'd like to turn to the issue of the relationship of this transportation plan and the National energy policy. Is there a set of goals with quantified measurements and milestones in terms of what transportation's contribution is to be towards the overall effort at a more energy conservative America?

Secretary **SKINNER**. Well, as part of the deliberation process on the energy strategy, transportation, which of course uses 62 percent of the petroleum, was discussed. The major area that has been the subject of great discussion since the strategy was announced, was "what is the role of CAFE Standards?" and "are we going to mandate increased fuel economies on domestic and foreign manufacturers?"

We commissioned a study by the National Academy of Sciences to determine what makes sense given the status of the industry and given all of the factors that must be taken into consideration. That study is due in June or July of this year and then we'll be able to make a more informed decision on that aspect of it.

Just to finish up, Senator, in the meantime, we've got a number of things that encourage multiple vehicle usage but there's no set series of goals for the Department of Transportation; they are embodied in the overall goals of the program.

Senator **GRAHAM**. Why are there not a set of goals for what transportation is to contribute towards a larger goal of national energy conservation?

Secretary **SKINNER**. Well, I think at this point the strategy is a strategy, not an implementation plan. The strategy is a concept as to how we deal with the problems of energy and therefore, you get objectives but you don't get goals such as to reduce the amount of gasoline used on the highways by 5 percent.

Senator **Graham**. Why not? My experience in government, as well as most other things in life, is if you don't have some quantifiable destination and a means of evaluating your progress towards that destination, the consequence is that five years from now, you will not have moved anyplace. A person who has no destination in life needs no map because any path will take you to that unspecified conclusion. I sense that we are without destination and therefore without need for a map as it relates to transportation's role in the National energy policy.

Secretary **Skinner**. I just disagree with your characterization. I believe you can set goals of a general nature.

Senator **Graham**. If you were going to monitor a set of statistics for the year 1995, the end of this reauthorization period, what would you consider to be success in terms of transportation's contribution towards a national energy policy?

Secretary **Skinner**. It's very difficult to quantify some of these issues. In order to establish goals, they have to be achievable and they have to make sense; they have to have a rational basis and they have to be validated during the period of the program.

We believe that, through the implementation of concepts, you'll accomplish something. You won't be able to define it until you get there but you will know you're making progress.

If we could reduce congestion 25 percent by the year 1996 through spreading out the traffic, building more systems to relieve some of the load, using congestion pricing, getting more people into mass transit, I believe we could make a significant contribution to our energy dependence problem. Those are probably achievable goals if we implement all of these general principles, but it may be very difficult to quantify today what that result will be five years down the road.

Senator **Graham**. Mr. Chairman, I hope that we will be coming back to this issue because I would sense that if you went back and reviewed the statements made by Secretary Skinner, a gentleman for whom I have the highest admiration for his service prior to and in his current position, but if you review the statements made to this committee by his predecessor at the last reauthorization, you would have found some similar themes that we are going to be pursuing some general strategies and then when those themes were compared against what has actually happened in the last five years, you would have found that we have become substantially less energy efficient in our transportation segment of national energy use.

I think that it's basic principle that we ought to be forcing ourselves to set some quantifiable goals, difficult but not impossible, and then to evaluate individual tactics of which CAFE would be one against their degree of contribution towards those quantifiable goals.

I see my time is up. Mr. Chairman, I have some questions in other areas I'd like to pursue in the next round.

Senator **Burdick**. Senator Durenberger.

Senator **Durenberger**. Mr. Chairman, the value of getting here late and coming down the line is you gain respect for your colleagues and the questions that they ask. I want to compliment all of my colleagues for their opening statements and their questions.

I'd like to begin my questions where Bob Graham left off perhaps with a bit of encouragement. I think both of you are right as I listened to the conversation. Senator Graham is arguing that we have a specific percentage goal and you're arguing that if we can just get agreement on the concepts and we share the sort of set of principles of moving in a general direction, that might be satisfactory as well.

I think as long as we're talking about moving transportation systems to a particular goal and objectives, the agreement on concepts of how to do it is appropriate, but when you put what we do here on transportation conservation in competition with the rest of the energy policy, then I would be more inclined to think that his argument that we ought to see what proportion transportation carries, what proportion housing and building structures carry, and what proportion production, transmission of energy carries, then that becomes much more important.

Senator MOYNIHAN. Dave, the Secretary has told us 62 percent of fuel consumption, oil consumption, is automobiles.

Senator DURENBERGER. I understood that and I appreciate the fact that he has a strategy, if you will, for making a contribution for reducing consumption. I'm just trying to argue that it would help some of us when we get to debating energy policy if, as Senator Graham points out, we can have a measurable objective for reducing that 62 to something else as a contribution to the overall policy. In other words, they are not that far apart.

In that regard, Mr. Secretary, I must ask you what was the Administration predicate for recommending the rollback of the existing $0.05 cent gasoline tax increase? How does a Federal tax on transportation fuel impact on conservation of fuel in your view and what should our policy objectives be in that regard?

Secretary SKINNER. Well, we don't know. I've not seen a statistic or a report that can determine with any degree of certainty the elasticity of fuel pricing on demand. Numbers have been suggested that the elasticity can begin as early as $0.10 on a price of a dollar, a 10 percent increase, while some say that the real elasticity won't occur until you get to 50 percent.

I cannot determine that and I'm not so sure this isn't one of those things that we were talking about. It's very difficult to define what the exact drop in usage will be based upon certain raises in the gas tax. Having said that, there is this body of thought, a substantial body, that says you raise it to a certain level, it clearly will have elasticity. It may be a lot higher than the political will is to take it there.

We believe that the $0.05 has no real significant impact on elasticity and we think that because it expires four years from now we did not have to deal with it at this time, although if it is not renewed, when it expires, the trust fund balances would be reduced.

Senator DURENBERGER. Is there a present point at which the Administration might agree to support a substantial Federal increase in the Federal gas tax as a way to implement an energy policy?

Secretary SKINNER. There's been none at this time. I would say if the House and the Senate on a bipartisan basis with substantial support on both sides well above the veto type majorities, were to support such a bill, I'm sure the Administration would take a good look at it.

[Laughter.]

Senator DURENBERGER. You also believe that would be a cold day in you know where.

[Laughter.]

Senator CHAFEE. I want to commend you for going so far out on the limb.

[Laughter.]

Senator DURENBERGER. Mr. Secretary, I mentioned earlier and made some comments by way of a compliment on the congestion and the safety area and so forth. I also mentioned the fact that I thought the whole issue of ratios in the block grant program might penalize certain safety programs. Would you care to comment on whether or not you're open to taking a look at adjusting that formula as it relates to certain kinds of safety measures in particular?

Secretary SKINNER. This is our best effort at an attempt to give the committees a viable starting point from which to work in the area of safety. We have—Senator Chafee is correct—reduced the number of lives lost both on per passenger mile traveled as well as on an actual basis over the last several years. But it's still much too high.

To give you a frame of reference, we lost more people yesterday on the highways of this country than we lost in all of the period of Desert Shield and Desert Storm since August 2. In that whole period, we lost fewer people than we lost yesterday on the highways of this country which would be about 122 on an average basis. That is down from where we were, somewhat, but we have a long way to go.

We believe we have a program that encourages States to move forward in such things as drunk driving programs, enforcement of drunk driving laws, and seatbelts which are an important part of safety. We can save thousands of lives with going from 50 percent to 70 percent in seatbelt usage and we're going to do everything we can to encourage that. I think you'll see that the emphasis in our budget, thanks to the committees in the House and the Senate, the appropriations side of it, has gone up significantly in the implementation program and we're making progress in that regard.

Senator DURENBERGER. Thank you very much.

Senator BURDICK. Senator Symms.

Senator SYMMS. Thank you, Mr. Chairman.

Mr. Secretary, to follow along with Senator Durenberger's question, your bill repeals the speed limit sanctions for most motorists' noncompliance. This happens to be similar to legislation, S. 65, that I introduced in the last Congress and I do support it, but can you tell me the reason why this repeal makes sense in light of some of the claims that the higher speed limit has increased the National fatality rate? What's your answer to that?

Secretary SKINNER. Well, we're not at a point that we're ready to acknowledge that the increase in the speed limit to 65 in the interstate rural areas is a significant contributor. At the same time that there's increase in the rural interstate area, there's also been a total decrease on an nationwide basis. A lot of this is as a result of upgrading of highways. There's additional travel that's occurred in some of these.

We're not in a position yet to say with a degree of certainty that's what is causing the increase on the urban interstates, but it's something we're looking at very seriously. We'll have our second summit on highway safety this year and we'll look at it. As soon as there is some direct relationship that we can ascertain and quantify, then I think we'll be in a much better position to deal with it. In the meantime, we don't think it makes sense as a matter of enforcement to have heavy sanctions involved in this area and we've had an honest disagreement with members of the Congress on that.

Senator **SYMMS**. I agree with you and I thank you very much.

Mr. Secretary, one area that I've been getting a lot of constituent inquiry about is the recommendation that we would allow rest areas in the President's proposal to be commercialized. Has there been any evaluation of what the impact will be on the small businesses that currently serve motorists, particularly like out in the west where there are a lot of places at interchanges that provide these services and the rest areas do not have commercial activities?

Secretary **SKINNER**. First of all, we just suggest that the States have an option, that they have the ability to do this after they've made that type of study. We're not mandating it by any means, nor would we intend to, so each State will have an option. There are some States that look forward to it as an opportunity to raise revenues and to improve the quality of service on their Interstates. There are others that are troubled because of the local businesses that surround the Interstate at the Interstate exits when the impact on them might not warrant the commercialization of rest stops. That, we think, belongs to the States.

Senator **SYMMS**. Thank you.

A few weeks ago, at the Budget Committee, Mr. Darman was there and I asked him this question: If Congress adopted the Administration's proposed funding levels for highways and mass transit and at the same time shifted the Highway Trust Fund to $0.025, what impact would it have on the budget, he said that it would have no impact on the budget. I would expect you would agree with that.

My question is, to this degree, wouldn't it make more sense to put the highway user's fees in the transit funds back in the trust fund even for the time being, even if we are unable to spend either because Congress doesn't want to make the choices to spend them on highways, and transit systems in lieu of some other spending to comply with the budget agreement, or just not spend them but leave them there and preserve the user fee concept that has basically been the mainstay of this program for 35 years, that we leave that in place?

Secretary **SKINNER**. I share the general philosophy that user fees should be raised and used for the highways and that the trust fund should be spent down. We have a process of doing so, albeit not as fast as some would like. Having said that, I would also recognize that the Administration was part of the bipartisan budget agreement last year. The President signed that legislation which called for the allocation that you talked about and, at this particular time in my career, I'm not anxious to depart from his position.

Senator SYMMS. Thank you very much.

Thank you, Mr. Chairman.

Senator BURDICK. Senator Reid.

Senator REID. Thank you, Mr. Chairman.

Mr. Secretary, following up on the line of questions that Senator Lieberman asked, doesn't the proposed apportionment formula that is in the Administration's proposal promote gas consumption?

Secretary SKINNER. Under that statement, you assume that in order to get more monies the States are going to encourage people to drive more than they drive now so that they can raise their mileage to get more money, while at the same time you give very little credit to a State's desire to reduce congestion which is the biggest single, frustrating factor in transportation today.

Senator REID. And user of fuel. Congestion creates fuel consumption.

Secretary SKINNER. Right, congestion and all that goes with it—lost productivity, increased use of fuel, increased emissions. This bill attempts to deal with, among other things, the single biggest problem we have and that's highway congestion in a lot of areas all over this country, rural and urban and it allows the States to come up with programs that are flexible enough to deal with those problems and to allow local organizations and local entities who have a vested interest in reducing congestion to play a bigger role both from the standpoint of control of the program, the planning of the program and the funding of the program.

Senator REID. Mr. Secretary, that leads to my next question. What incentives or rewards does your proposal offer to States who do provide more of their own funding for transportation? You, Elaine Chow, a number of your people, have been to the Las Vegas area and noted how that's growing. What rewards or incentives are going to be given to some place like Las Vegas who is willing to raise significant amounts of money on their own to contribute to their transportation problems?

Secretary SKINNER. First of all, the States that raise the matching funds are going to be able to use the funds. However, this year alone, either for planning or because the States are unable to match the funding levels for programs, we are going to have in the program about three-quarters of a billion dollars in funding that will not be obligated this year or appropriated because the States are unable to get through the planning process, get through the environmental issues, or come up with the local match.

In mass transit where we have raised the matching ratios, we find that a number of very good projects compete with each other and those projects that have a greater local funding source compete very effectively in the awarding of these discretionary funds. I suggest the same thing would follow through with the States as they analyze the local contribution to the State matching part.

Senator REID. So what you're saying is there would be a direct effect for those States that are wiling to pay more?

Secretary SKINNER. Direct effect in, one, being able to use all available funds and two, having match available to apply for some additional funds that become available because of a reallocation.

Senator REID. I understand that. I note in the testimony that's going to be given by the General Accounting Office, Mr. Mead, at a subsequent time in his prepared remarks—which I won't be able to hear but I read them with great interest—it says, for example, "Although the FWHA's proposed $86.8 billion highway program is $18 billion over the $68.8 billion prior Federal aid highway program authorization, the proposed funding level could be increased by additional $5.1 billion between 1992 and 1996." It goes on to say, "as Appendix I shows, that there will be about $8.1 billion in uncommitted funds remaining in the highway account of the Highway Trust Fund at the end of fiscal year 1996."

This being the case, does this add to the three-quarters of a billion dollars in unallocated monies that you're talking about for this coming year? Would this add another $5.1 billion over this period of time?

Secretary SKINNER. No. I haven't looked at the whole thing but I assume he's talking about the money that would be available from the Trust Fund if in fact we could get around or have revenue offsets pursuant to the budget agreement that was signed into law last year.

I would only observe that no department in the discretionary sector did better in competing for funding in the budget process this year than the Department of Transportation.

Senator REID. Say that again?

Secretary SKINNER. No department, no discretionary department, did better than Transportation in the budget process this year on a growth basis. Taking the available money from the discretionary account which is approximately a little less than $200 billion, we increased our share of the total pie and we did better or equal as to any increases than any other discretionary department.

Senator REID. But there's still more money left.

Secretary SKINNER. There's money left in the trust fund, it has to be spent pursuant to the budget agreement and the appropriations process. This year, the entire budget was developed with the Budget Reconciliation Act of 1990 parameters in mind. Competing for the available increase in discretionary funding available, we did better than any other department. That, I believe, shows the President's commitment to do something about the infrastructure even in very tight budget times.

Senator REID. And it also shows, Mr. Secretary, the desperate state of the highway infrastructure basically around the country.

Secretary SKINNER. That I believe the Administration and this committee recognizes.

Senator BURDICK. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Secretary, first, I want to thank the Secretary for the proposal, including the low density factor. Many of us in thinly populated States with low densities appreciate that very much. I hope that it is a provision that you continue to advocate and fight for because it, is a good, fair, and decent addition.

I apologize that I was not here for earlier questions. I understand, however, that in answer to some questions about the matching, you said that the increased portion the States would have to contribute is appropriate because of the flexibility that States would have to transfer funds, I guess, from the National highway system to their State programs or whatever else they choose to do.

I think in theory that has some validity, but in practice, I'd like to make a couple of observations. One, western States generally contribute a much higher portion on a per capita basis to highways than do the urban States. For example, in Montana we spend $380 per person on highway funding, whereas in a State like California, I think it's $140 per person. It's obvious there are a lot of folks in California and there are not a lot of folks in my State of Montana or in some other western States. I might even say Nevada or Wyoming, the Dakotas, Utah, for example.

So even though there is a low density factor in the proposal, and even though there is this flexibility provision of 15 percent, the fact is that we already contribute a lot more so the flexibility would not help very much.

A second point is this, that even with the 15 percent flexibility calculated in—at least in my State, I can't speak for others—two-thirds of the Federal dollars would go to only one-quarter of Montana's current Federal aid to highways. That's because, according to your map, there aren't very many of the priority highways. There are many more miles in Montana that are not on that map.

I guess my main point is, whereas in theory the increased match may be doable because of flexibility, there are some States like mine where we already pay a heck of a lot—we're fifth highest in the Nation, I think we pay $0.20 a gallon State gasoline tax and we're fifth in the per capita contribution and you're asking us to pay even more, whereas other States with much lower taxes can more easily afford to pay more but States like mine just cannot afford it. Could you comment on that, please?

Secretary SKINNER. Well, this, of course, gets into the issue, and to your right and his left we have a good cross section of the urban/rural discussion that will go on with this committee. We have tried to make a presentation about as effective as possible in dealing with all of these issues. It's a good start; it's not the complete answer.

As we said earlier, we believe that a greater local match makes better leverage out of Federal dollars, it gives better control over the project, insures that good projects will be built, and those are the major reasons we have the greater local match requirements.

We've also included in there, because we know it may take a while for States to ramp up, so to speak, a two-year waiver provision that would assist States in making the transition. Finally, this map, and I think you might have been out of the room when I said it, this is a beginning. This final system will not be resolved until two years after the bill is authorized, so the States would have the opportunity to have input into the development of the map.

Senator BAUCUS. I appreciate that because I think we're going to spend some time with the map, frankly.

Secretary SKINNER. That is a beginning map rather than a final map and I hope you'll treat it as such.

Senator BAUCUS. Just so long as the ending map is better than the beginning map.

A question too about ports of entry, you mentioned in your statement the importance of ports of entry. We have six. Your beginning map has three. Any reason why we can't increase the three up to a higher number?

Secretary **SKINNER**. I must say I'll have to get you the answer to that question. I don't know the answer to that question.

[The information requested follows:]

In selecting routes to ports of entry, the FHWA looked at the number of vehicles crossing the border; a threshold of 100,000 annual vehicle crossings was used in the West to identify routes of national significance. The FHWA also considered roads connecting to important Canadian urban centers to help determine the most significant routes. In Montana's case, three ports of entry met these criteria, and the routes leading to them were chosen for the illustrative National Highway System (NHS).

The fact that the other port-of-entry routes are not on the illustrative map does not mean they will be excluded when the NHS is designated. The map we submitted is illustrative rather than final. Moreover, our submission does not include any recommendations on which routes should be included in the NHS. Instead, the map, and the process used to create it, were intended to demonstrate the workability of the concept and to show what the NHS might look like. The Congress will determine criteria for the NHS in approving the Surface Transportation Assistance Act of 1991. The FHWA will work with the State highway and transportation agencies to identify and designate eligible routes after enactment of legislation.

Senator **BAUCUS**. I appreciate that. I have no further questions but just urge you to remember that the thinly- populated States just can't pay any more. There is no more blood left in the turnip. For example, we are losing a congressional district because there are no jobs, the economy is so flat. California is picking up what, five, six or seven seats? I've forgotten the number—seven—and the sun belt States are picking up seats. We're already paying $0.20 a gallon State gasoline tax, we just can't pay anymore.

If we're going to have a Federal highway system, the country as a whole is going to have to have a Federal highway system and not put more of the burden on those States in the hinterlands that frankly just can't afford it because there is no blood left in the turnip. It's just not there.

Secretary **SKINNER**. I understand the argument. We've attempted to deal with it. I'm sure just as the bill is not totally satisfactory to urban areas, I don't think it's totally satisfactory to rural areas. That means everybody is to some degree upset with the allocation as well as the formula. I would suggest that clearly is a good place to start.

Senator **BAUCUS**. I hear you say that this might be a bill to address congestion. There's not much congestion in my part of the world. In our part of the world, it's a question of maintenance, just keeping the highways operating, that's the problem.

Secretary **SKINNER**. I understand and maintenance of the interstates has been a high priority in the bill. I would only say that I met yesterday with a group from Council Bluffs, Iowa who you would also think did not have a congestion problem and they were talking about some congestion problems that are anticipated if certain areas are developed. So congestion can come upon you very quickly, even in Montana.

Senator **BAUCUS**. I see my time is up. I'd like to invite you to come out.

Secretary **SKINNER**. We're going to come. I promised. As you know, my office has been in touch with yours and I assure you that in the late spring or early summer, we're coming to Montana.

Senator **Baucus**. I appreciate that.

I must say, I know my time is up, but Senator Lautenberg came to Montana last summer and——

Senator **Lautenberg**. And I saw congestion. That's what they showed me when they wanted funds.

Senator **Baucus**. We had a charter plane from Great Falls, Montana to Kalispell, Montana. It was nighttime and we were flying over and Senator Lautenberg turned to me and there's this exclamatory expression on his face and says, Max, where are the lights, where are the people? Well, there's nothing down there.

[Laughter.]

Senator **Baucus**. I reminded him that the density of New Jersey is about 1,000 people per square mile and in Montana it's about four or five. There are not a lot of lights, a lot of people down there.

Senator **Lautenberg**. Try Showtow, Montana.

Senator **Burdick**. Senator Lautenberg.

Senator **Lautenberg**. Thank you very much, Mr. Chairman.

It's always interesting to hear colleagues describe their problems and it's very obvious that we all have them in a differing manner, but we have them.

Mr. Secretary, I want to remind you of one thing. We wish you a long term in this office, we assume that you'll stay as long as you like and that the Administration and all of us respect and admire you. You could, one day, be chairman again of the RTF and I want you to examine your innermost conscience and ask you if you can live with this bill that you're proposing? Look in the mirror, Mr. Secretary.

Secretary **Skinner**. The answer is no and yes.

[Laughter.]

Senator **Lautenberg**. Enough of this theory.

As we discuss the apportionment and we look at the hand that will be dealt us, your proposal introduces some flexibility. That's a concept that I support, being able to, at the State level, make decisions about how they'd like to apply their transportation funds, but under your proposal a State could transfer 15 percent of the National highway system funds which are at a 75 percent share to the urban/rural program which is only a 60 percent Federal share. You seem to be telling a State that it can be flexible with its own funds. That's not really much of a deal.

Additionally, your proposal would allow a State, with some conditions, to transfer seemingly all of its transit funds into highways but only 15 percent would go the other way. Now, isn't this a continuation of a bias toward roadbuilding?

Secretary **Skinner**. The numbers that I have, Senator, deal in real dollars which is really how you have to measure it, not in percentages. These show the average of $4.4 billion in Urban and Rural Program funds will be available to transfer to the transit program versus $2.9 billion in transit funds would be available for transfer for highways each year. Therefore, we believe that, if you look at total dollars, 52 percent more money is available to shift into transit than out of transit. We believe that the States are in the best position, after consultation with local authorities, to determine the proper priority of urban mass transit funding in States.

I must say, recognizing the major States would have that opportunity, many of those have a good balance in their State government and legislature to insure there is no, what I call misappropriation of transit funds to highway. This transfer is, as you know, a departure from previous practices. Highway users frankly seem to be more concerned than the transit people are on the transfer.

Senator LAUTENBERG. What I see is there is more money available but it's like the tar baby, if you touch it, you get stuck with a match that's very, very difficult to come with. You've heard the pleas, whether it's from Montana, Senator Baucus described the turnip, I think, being dry. You heard other people. New York State has had enormous deficit problems facing them and now when we see a way out, we say, OK, let's work with a more flexible system. There is disincentive, frankly, to take the money and put it into transit systems which deals with the congestion, deals with the clean air objectives, and helps us, very frankly, transport people in a lot more productive way than they otherwise would have been.

Mr. Chairman, I know that my time is up. I would just like to venture one comment regarding the job in the toll booths. We ought to move the toll takers around so they are not sitting, ingesting from that congestion, the toxics that come out of the tailpipes.

I had an idea that what we ought to do is never penalize the person who pays. If you're in business you don't penalize your customer by making it more difficult for him to spend money, yet all over this country of ours, there are toll roads where the traffic backs up just to pay their money. I had an idea—this is not a New Jersey only thing—which is to paint a red line on the road and anytime that the traffic gets backed up behind that, customers go free until they get it down. That would make those various authorities and State agencies pay attention. Otherwise, the only one who pays is the customer who is sitting there in traffic sometimes for half a hour to pay tolls—and I'm not talking about New Jersey.

Senator MOYNIHAN. And the tolltaker who breathes that engine stuff.

Senator LAUTENBERG. I'm an advocate and a great supporter of the intelligent vehicles and highways thing, and I think that's the way we've got to go.

Thank you very much, Mr. Chairman.

Senator BURDICK. Senator Metzenbaum.

OPENING STATEMENT OF HON. HOWARD M. METZENBAUM, U.S. SENATOR FROM THE STATE OF OHIO

Senator METZENBAUM. Thank you, Mr. Chairman.

Me thinks the Senator from New Jersey must have had to wait in line quite a while at a toll booth.

Mr. Secretary, I have a brief opening statement, then I do have a couple of questions.

I commend you for having invested so much of your time and effort over the past two year to come up with a forward- looking, forward-thinking transportation plan for the Nation. Frankly, I can't say that I agree with all of your recommendations, but I think you've done a tremendous job in framing the issue and in making the Nation's infrastructure—our roads, bridges, and public transit systems—a priority matter on the domestic agenda.

The 44,000 mile interstate highway system which defined our roadbuilding program in the United States for more than three decades is now 99 percent complete. Now is the time to look to the future toward developing a new policy and I hope together we can do that.

Today, one-third of all Federal aid highways are rated in poor or fair condition by the Department of Transportation. We need to focus first and foremost on repair of the transportation system now in place and it's also time we moved more forcefully on highway and truck safety. We ought to consider restricting heavy trucks from certain lanes on the interstates, particularly in congested, urban areas. The average motorist is frightened by large trucks tailgating and weaving in and out of heavy traffic.

It's time we looked at new solutions to traffic congestion. History has shown that building new roads is not, by itself, a long term solution to gridlock.

One of the problems that concerns me particularly and many other members of the United States Congress is the fact that States like Ohio paid in $831 million more into the Highway Trust Fund last year than it got back. In fiscal year 1991, 28 States received back less money from highway projects than they paid in gasoline tax contributions to the Highway Trust Fund. Do you believe, Mr Secretary, that's fair?

Secretary **Skinner**. I don't have the numbers in front of me, but if you can allow me to assume that they paid in more than they received without verifying the numbers, which I don't have the ability to do——

Senator **Metzenbaum**. I will submit the list for the record.

[The list referred to follows:]

All Donor States—Fiscal Year 1991 Highway Apportionments and 1990 Discretionary Allocations Dollars in Millions (Source FHWA)

85 percent minimum allocation (MA) States

State	Put in	Get back (includes 85% MA payment)	Loss	Return if 85% minimum abolished	
Arizona	$225.0	$165.5	$60.0	$127.0	56%
Arkansas	209.0	153.7	56.0	123.3	59%
California	1,509.8	1,110.6	399.8	1,029.2	68%
Florida	689.4	507.1	182.3	356.2	52%
Georgia	530.2	390.0	140.2	288.7	54%
Indiana	366.0	269.2	96.8	190.7	52%
Kentucky	256.8	188.9	67.9	186.6	73%
Michigan	465.0	342.1	122.9	306.5	66%
Mississippi	194.0	142.7	51.3	117.6	61%
Missouri	370.1	272.2	97.9	245.2	66%
N. Carolina	446.7	328.6	118.1	229.3	51%
Ohio	587.1	431.9	155.2	360.7	61%
Oklahoma	245.1	180.3	64.8	138.9	57%
Oregon	198.2	145.8	52.4	132.3	67%
S. Carolina	209.3	154.0	55.3	126.0	60%
Tennessee	337.2	248.0	89.2	246.3	73%
Texas	1,063.0	781.9	281.1	585.2	55%
Virginia	392.0	288.3	103.7	228.4	58%

All Donor States—Fiscal Year 1991 Highway Apportionments and 1990 Discretionary Allocations Dollars in Millions (Source FHWA)—Continued

85 percent minimum allocation (MA) States

State	Put in	Get back (includes 85% MA payment)	Loss	Return if 85% minimum abolished	
Wisconsin	288.3	212.1	76.2	154.0	53%

Note: Actual return with minimum allocation payment equals 74% of contributions

Other Donor States (ones that get back between 85% and 99%)

States that would be helped by change in current law to increase minimum allocation to 95%

	Put in	Get back	Loss	Actual return if min. jumps to 95%
Kansas	$185.0	$138.6	$46.4	$151.6
Louisiana	266.0	215.8	50.2	118.8
Maine	85.1	67.1	18.0	70.1
All other donor States				
Alabama	$283.7	$241.9	41.8	
Illinois	535.8	490.4	45.4	
Minnesota	246.5	188.2	58.3	
New Mexico	117.9	107.8	10.1	
Pennsylvania	651.5	539.9	111.6	
Utah	105.7	96.6	91.	

Note: Actual return would equal only 82 percent.

Secretary **Skinner**. All right. On that concept, I believe that this is a balance, Senator, that the Congress, in their wisdom, drew in the reauthorization period several years ago. They have a chance to revisit that.

We have attempted in our program to come up with a system that balances these urban/rural needs. Unfortunately, this has been the subject for some concern and just as Senator Baucus and others would contend that they can afford no more, and that we as a nation ought to divert some of those revenues into the rural areas, there are a number of others—including yourself, Senator Bentsen and others—that would suggest that even more, if not all, of that money should flow back.

I think the balance that we've drawn in our bill is a good one. It's not perfect. I think also that regarding the issue of the trust fund and the spending down of the trust fund, we are spending more than we receive in revenues but less than the total of revenues and interest. However, we are making, especially in the out years, a significant decrease in the percentage of the total program that is held in the trust fund. The progress is consistent with the President's commitment; not nearly as great as a lot of us would like but our hands are somewhat tied by the budget agreement.

Senator **Metzenbaum**. Your bill would eliminate the so- called 85 percent minimum allocation that helps protect the donor States. Supposedly that's the fact, but the States wouldn't need it under your bill, but in looking at your numbers, Ohio and the other minimum allocation States would continue to lose hundreds of millions of dollars each year. It's the same old story. Why should the larger States with the most traffic and the greatest need for highway funding continue to pay more than they get back?

Let me point out that in fiscal year 1991, the 28 donor States paid in a total of $2.7 billion more than they received back in highway funds. The 22 other States, plus the District of Columbia, received back $1.8 billion more than they put in. The difference is a surplus of approximately $900 million plus interest is being added to the cash balance of the trust fund. You testified there is no cash balance surplus in the fund. The GAO says there is. Are you saying that GAO is wrong?

Secretary SKINNER. Well, I haven't looked at the GAO testimony. I said there is a surplus. I said that if you look at the end of the period, at the spending levels suggested in the program, you will see that there will be a balance in the trust fund. It is a substantial balance but if you take that balance as a percentage of the total program, you'll see that it is less. When you factor into that that we have certain requirements that must be maintained for the purposes of completing programs that are authorized but not completed during the authorization period that you will see all of the trust fund would be used, and a good portion of subsequent two years' revenue would be needed, to fund those programs.

We have to keep a balance. We're getting close at the end of this period to a balance that's almost the minimal balance that's necessary to complete the programs that would be not finished at the end of the authorization period.

Senator METZENBAUM. I see that my time has expired and I don't know if we'll have time for a second round. If we do, I have additional questions. If not, I'd like to submit some additional questions.

Secretary SKINNER. Thank you, Senator. Thank you for your comments and we believe that this is our best effort to deal with the issue of what's the proper balance between the urban States and the rural States. But as I said earlier before you arrived, we recognize this is something that's really in the domain of the Congress to eventually resolve. My guess is, as they resolve it, we will probably accept the allocation in the way they come up with it.

Senator METZENBAUM. Thank you.

Mr. Chairman, I ask unanimous consent to put my full statement in the record.

Senator BURDICK. Without objection, so ordered.

[Senator Metzenbaum's statement follows:]

OPENING STATEMENT OF HON. HOWARD M. METZENBAUM, U.S. SENATOR FROM THE STATE OF OHIO

Secretary Skinner, I commend you for having invested so much of your time and effort over the past two years to come up with a forward thinking transportation plan for the Nation.

I cannot say that I agree with all of your recommendations, but I think you've done a tremendous job in framing the issue, and in making the Nation's infrastructure—our roads, bridges and public transit systems—a priority matter on the domestic agenda.

Mr. Chairman, the 44,000 mile Interstate Highway System, which defined our road building program in the United States for more than three decades is now 99 percent complete.

Now it is time to look to the future—towards developing a new policy—one that emphasizes preservation, reconstruction, traffic management and energy conservation.

Today, one-third of all Federal-aid highways are rated in poor or fair condition by the Department of Transportation.

We need to focus first and foremost on repair of the transportation system now in place.

It's also time we moved more forcefully on highway and truck safety.

We ought to consider restricting heavy trucks from certain lanes on the interstates, particularly in congested urban areas.

The average motorist is frightened by large trucks tailgating, and weaving in and out of heavy traffic.

It's time we looked at new solutions to traffic congestion. History has shown that building new roads is not by itself a long-term solution to gridlock.

Look at the Capital Beltway—it was built in the 1960's to carry through traffic around Washington.

Yes it is the Beltway that spawned Tyson's Corner—now a mini-city with the most unbelievable traffic problems—problems that would not be there today but for the Beltway.

Road construction meant to relieve traffic congestion instead contributes to more development, more cars, more traffic and eventually gridlock.

We should be devoting more of our transportation funds to innovative traffic management—reversible lanes (similar to what we have on the Chain Bridge), synchronized computer operated traffic lights, and driver services like information about alternate routes.

Synchronizing traffic lights is far less expensive yet just as effective as adding new lanes of pavement.

According to the Highway Users Federation, traffic congestion costs the Nation $50 to $100 billion a year in wasted time, fuel and productivity.

It's time we focused on making public transit usable, and attractive to the public. Transit ridership is declining, and as long as cities are forced to keep raising fares to keep up with operating costs, ridership will continue to decline.

As ridership declines, costs go up, then fares go up—it's a vicious circle.

Yet your bill, Mr. Secretary, would eliminate operating subsidies for the largest and most critical systems in New York, Philadelphia, Cleveland, Washington and other big cities. It doesn't make sense.

In short, it is time we stopped thinking that we can take care of every traffic problem simply by laying down another lane of pavement.

Mr. Chairman, there's another issue on which I wish to address myself—one slightly closer to home.

And that is—for two decades now, the highways and bridges in my State have fallen apart while the State sent its fuel tax contributions to pay for highway construction in other States.

The rationale was construction of the interstate—one for all, all for one. The argument was that the populous States like Ohio had to subsidize construction in the more rural States or the roads would not get built.

Well, the interstate is 99 percent complete. The roads are built, and the rationale no longer holds.

But what a heist in the meantime. Between 1957 and 1989, Ohio paid $831 million more in highway gasoline taxes than the State received back for highway projects.

This year alone—even with the so-called 85 percent minimum payment guarantee—Ohio put in $155 million more than it got back.

And speaking of the 85 percent minimum—that is a myth. There is no such thing. It is in fact a 74 percent minimum.

This year 19 States—I have a list here with the numbers that I would like to enter into the record—got back only 74 percent of what they contributed in gasoline taxes to the Highway Trust Fund.

Florida lost $182 million; Virginia lost $103 million; Texas lost $281 million; California lost $400 million.

Mr. Chairman, you know my position. As a matter of fairness, the time has come to put an end to this donor State situation. States should get back what they put in, or at least a closer approximation.

I am open to suggestions as to how to restore a little more equity to the program. Clearly the committee and the Administration ought to be thinking about how to do this.

This year, there are 28 donor States. In the House of Representatives, Members from Donor States control over 400 seats. It is going to be an issue.

I certainly will welcome the opportunity to work with you toward resolving what is clearly a very inequitable situation.

Senator **Burdick**. Senator Chafee.

Senator **Chafee**. Thank you, Mr. Chairman.

I have a couple of quick questions. First of all, I'd just like to make this observation if I might, Mr. Secretary. What we are reauthorizing here is the surface transportation programs, not highway programs but surface transportation and it seems to me that the tilt—obviously I speak from one who comes from an eastern congested State which is quite different from Senator Baucus and others—but it seems to me the tilt is always toward adding more highway capacity. In our private meetings you have stressed that the localities don't seem or the States in many instances don't seem to have comprehensive transportation planning programs.

In other words, it's all well and good to talk about mass transit coming from a suburb to downtown but all too frequently where people want to get isn't from suburb to downtown, it's from suburb to suburb and you can't do that under the existing transportation plans that most communities or States have.

My question to you is, what can we do—we, you, us, you from the Transportation Department, us from the Congress—to encourage the States and localities to have a comprehensive transportation plan so that there will be these densities that will support mass transit or other alternatives to the single occupancy vehicle?

Secretary **Skinner**. In the program we have done several things. We've insisted on more of a comprehensive planning process than we've had before and we also have higher incentives. In other words, a 90 percent of Federal share of funding funds is available for not only interstate 3R projects but also for HOV lanes and other operational improvements on the Interstate that are the byproducts or the result of this planning process.

We encourage regional planning and will continue to do so in this bill and the funding will be available for these planning agencies and grants. We've got to give them incentives to do the regional planning.

In my experience as Secretary, I've seen that there is a trend and a movement more and more towards regional planning. That continues to grow. States, as well as the requirements of the Clean Air Act and this bill, will encourage and require regional planning organization. That's the first step. From there you can move into actual programs.

I would just finally observe where we have that regional organization like in Chicago, they have announced a new program for transfer travel, mass transit between suburbs and there are a number of suburbs that are applying for these grants. So once there is a mechanism and a role, organization and money available, there will be plenty of local organizations that will apply.

Senator **Chafee**. Well, I just have this feeling as I sit here in this committee that we're constantly swept along into more and more highway building, widening this interstate, building new lanes and yet were getting more and more congestion—anybody who commutes into a city knows that—and less and less use of the mass transit, or at least the ridership isn't increasing—in many instances declining—with the results that routes are no longer serviced with the results that there's fewer ridership and it's a system that feeds into itself into a decline. I find it depressing but I'm not sure that I have a solution to it.

One quick question before my time expires. I'd like to ask you about the safety funds. As I read the safety fund setup that you have, you go into a block grant but the money can be used for safety but that would include safety improvements, highway improvements and you're not going to have the current system of encouraging education or the campaigns against drunk driving and so forth. Am I incorrect in that?

Secretary SKINNER. I'll ask Mr. McCormick to answer that question.

Mr. MCCORMICK. The safety bonus program would be eligible for either safety capital improvements on the system or operational programs. One of the basic philosophies of the concept that we have is to merge today what, in some cases, throughout our country are somewhat independent efforts—operation, educational sorts of programs—with capital programs. We've seen experiences in this country——

Senator CHAFEE. By capital, you mean building?

Mr. MCCORMICK. Roadway improvements——

Senator CHAFEE. Isn't there a danger that all your safety money is going to be spent on highways? Anybody who has been on the receiving end as a Governor or any executive position knows the thrust is to build and when it's a contest between having an educational program on drunk driving or building more highways, the building is going to win every time.

Mr. MCCORMICK. There are provisions in the bill which assure the continued level of education programs. The rest of the funding then is flexibile in the sense of choosing between what's the most effective in a given State.

Senator CHAFEE. But there's no segregated sum in the present legislation?

Mr. MCCORMICK. There is not a separate categorical program, but there is a preserved floor, if you will, for the educational sorts of programs in alcohol programs.

Senator CHAFEE. That cannot be used for construction?

Mr. MCCORMICK. Cannot, correct.

Secretary SKINNER. There is an allocated funding for all of these programs that cannot be transferred to highway safety construction.

Senator CHAFEE. Construction.

Thank you, Mr. Chairman.

Senator BURDICK. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I think we've kept the Secretary here long enough and he's been very gracious and very forthcoming.

If I could just say one quick word to my neighbor from Rhode Island that as we try to deal with this, it seems to me feckless to do other than realize that the interstate highway system happened. It was the largest public works program in history. It was built to facilitate the movement out of cities into suburbs and to lower density of population.

I guess being from New York and having the thruway experience and knowing a little bit about that, I'm a little closer to it. The idea was to make mass transit impossible without any specific purpose, and it happened, and we can't undo it. So we're going to have to deal with what potential we do have.

That does include, however, a very real potential to deal with this question called congestion without adding highway lanes. There is a prize for getting that straight but I think we can do it.

I wonder if I could just ask the Secretary, not to answer unless he wishes, you say that you'd like to reduce congestion by 20 percent. Do you have a working definition of congestion because it's a nonlinear function. You do not have to cut the number of vehicles 50 percent to cut the congestion 50 percent, but what is congestion? How do you wish to define it?

Secretary **Skinner**. Well, you've just identified the problem that Senator Graham and I talked about on goals, what are you reducing and what do you define in reducing congestion in Council Bluffs, Iowa is substantially different than reducing congestion on the Harbor Freeway in Los Angeles, California.

I believe that it is difficult to quantify sometimes a specific, achievable goal except in areas like deaths on highways which we can clearly measure. I think you can, however, adopt a set of principles and put them into place that will clearly reduce congestion. Technology, which you and I have talked about, is very important, using the current infrastructure we have better than we do, so that the driver can make an informed decision on which alternative to take based on the congestion levels. Number two, encouraging HOV Lanes which are nonexistent in some parts of the country which play a major role in the reduction of congestion in this area and other parts of the country. The use of toll roads and the ability to build toll roads so that those people who wish to pay to reduce congestion have the opportunity to do so, to increase the productivity at both ends of their trip, thus taking their load off of the existing free highways.

I think all of those put together and implemented in a sound program will reduce congestion, reduce fuel consumption. It is very difficult, if not impossible, to quantify how much that reduction will be other than to say it's significant.

Senator **Moynihan**. All right, but may I just gently suggest, try to quantify it for us? Maybe you can't, but if we're going to reduce something by 20 percent, we need to know what that 20 something is. I'll leave it there, all right?

[The following was subsequently received:]

By all measures, congestion has worsened over the past two years. Congestion has three attributes: severity, duration, and extent.

Severity.—Almost 70 percent of daily peak-hour travel on the urban Interstate System in 1989 occurred under congested or heavily congested conditions. Congested is defined as the condition where the volume is at least 80 percent of the available highway capacity. Heavily congested is defined as the condition where volume is at least 95 percent of available capacity, or approaching gridlock. About 50 of the 70 percent of congested urban Interstate peak-hour travel in 1989 was heavily congested. Total urban Interstate congestion was 30 percent higher than in 1987. Severity on other urban arterials increased by 18 percent over the same period.

Duration.—For a sample of urbanized areas, the duration of congestion increased 45 percent between 1987 and 1989. Off-peak congestion is becoming more widespread and pervasive.

Extent.—An estimated 50–60 percent of congested urban travel occurred in the largest 10 urbanized areas in 1989. However, congestion is extending to more areas, especially to suburban areas and to facilities that connect and approach urban areas.

Congestion occurs either throughout a highway network or in isolated "hot spots". It may be recurring, meaning that the same location is congested the same time each day, or it may be nonrecurring, meaning that the congestion has no pattern. Nonrecurring congestion is usually the result of traffic accidents.

New technology, congestion management plans, and increased capital investment for capacity improvements will all play a role in congestion reduction. New technology advanced traffic information systems, which may include both in-vehicle and system specific information, will be used to guide motorists around congested areas, making more efficient use of the highway system and avoiding adding to the problem. Traffic management systems, which may include coordinated traffic signalization, ramp metering, or coordinated tow truck operations, may be used to enhance vehicle throughput, thereby reducing congestion. Finally, capacity additions to the existing highway system will be required to support expected future travel growth, including growth in transit bus operations.

The benefits of these programs will vary by urbanized area, depending on the mix and extent of improvements implemented. The combination of improvements selected could add as much as 30–45 percent to the effective capacity of limited access facilities and up to 25 percent to non-limited access facilities. While capacity additions of these magnitudes would not solve all congestion problems due to the extremely heavy demand on some facilities, they would go a long way towards mitigating some of the congestion that currently exists, or is expected to occur on some facilities, as highway travel demand increases in the future.

Senator MOYNIHAN. Two other things. You speak of three-quarters of a billion dollars not spent last year or this year because of difficulties. Would you give us a list so we have some sense of where our problems are, where things aren't working?

Secretary SKINNER. We will give you a list. It's a little early. That's our best estimate as to what it will be this year.

[The following was subsequently received:]

The $466 million obligational authority that was turned in by the States in August 1990 pursuant to section 310 of the Department of Transportation and Related Agencies Appropriations Act of 1990 (P.L. 101–164) came from Massachusetts and Vermont. Massachusetts, accounting for 95 percent of the amount returned, was unable to obligate their full obligational authority because of the large Interstate apportionment of the Boston Harbor/Central Artery project that could not be used due to the complicated engineering and environmental process that has slowed the progress of the project.

Although we don't have a final estimate at this time, we expect States could turn back up to $1 billion in obligational authority. This estimate is based on obligation patterns of the States to date which indicates that they are likely to turn back funds if current obligation activity continues through the remainder of the fiscal year.

Senator MOYNIHAN. Tell us what you know so we get a feel for that.

Three, would you give us your understanding of the budget agreement as it affects the Highway Trust Fund? Just put it in writing.

[The following was subsequently received:]

The Omnibus Budget Reconciliation Act of 1990 contained provisions that have a very important impact on the Highway Trust Fund and on Trust Fund spending. These changes effectively divided the budget into two parts (discretionary and mandatory) controlled by different rules, including spending from the Highway Trust Fund, which is subject to the appropriation process. A "pay-as-you go" requirement applies to mandatory spending and revenues. The Highway Trust Fund receipts are included in the mandatory category. The tax receipts going into the Trust Fund and outlays from the Trust Fund are thus included under different budget enforcement mechanisms, and significantly one cannot be used to offset changes in another.

Spending from the Highway Trust Fund has always been considered discretionary under the Congressional Budget Act. Because outlays are controlled by obligation limits, they have been allocated to the appropriations committees. These outlays are subject to discretionary spending caps. Any increase in spending for these programs must compete with spending for other programs covered by the caps.

Senator MOYNIHAN. Lastly, this ports of entry question is real as we have a free trade agreement with Canada and we are talking about one in Mexico. Give us a look at your natural highway system with respect to ports of entry. Would you do that?

Secretary SKINNER. Yes.

[The following was subsequently received:]

In developing the illustrative map of the National Highway System (NHS), the Federal Highway Administration (FHWA) made a special effort to ensure the illustrative NHS would serve all major deep water ports, airports, and international border crossings. For example, the illustrative NHS would serve almost all deep water shipping ports that handle more than 1,000 trailer equivalent units annually and all ports that handle more than 20 million tons of bulk commodities annually. Although the threshold for bulk commodities may seem high, they are usually transported to and from ports by rail, pipelines, or barge.

Because of our growing economic ties to Canada and Mexico, the FHWA paid particular attention to serving major international border crossings. On the Canadian border, all ports of entry from Maine to Michigan that handle more than 200,000 annual vehicle crossings would be served by the illustrative NHS. Because the population west of Michigan is more sparse, the FHWA lowered the threshold to 100,000 crossings a year for the western States. The FHWA also considered roads connecting to important Canadian urban centers to help determine the most significant routes.

On the Mexican border, nearly all ports of entry that handle more than 200,000 annual vehicle crossings would be served by the illustrative NHS. A relatively high threshold was used because the proximity of Mexican towns to the border means many vehicle crossings are for local purposes.

In total, the illustrative NHS would serve 40 ports of entry on the Canadian border and 20 ports of entry on the Mexican border. The fact that a port-of-entry route is not on the illustrative map does not mean it will be excluded when the NHS is designated. The map we submitted is illustrative rather than final. Moreover, it does not include any recommendations on which routes should be included in the NHS. Instead, the map and the process used to create it, were intended to demonstrate the workability of the concept to show what the NHS might look like.

The FHWA will work with the State highway and transportation agencies to identify and designate eligible routes after the enactment of legislation. In addition, we will be talking with representatives of Canadian and Mexican transportation agencies to explain the NHS concept and to obtain their views on service to international border crossings. Providing service to major international border crossings was an important factor in developing the illustrative NHS, and I can assure you that it will continue to be a high priority in designation of an official NHS.

Senator MOYNIHAN. I thank you very much and congratulate you on listening to us with such great patience.

Senator CHAFEE. Mr. Chairman, could I ask a quick question?

Mr. Secretary, do you have to leave? Do you have a deadline?

Secretary SKINNER. Did you have a question, Senator?

Senator CHAFEE. No, I don't. I asked my questions but maybe the others could ask them.

Secretary SKINNER. Well, we kind of had a two hour span and I'm getting ready to leave to go back for another meeting, but if Senators Lautenberg, Graham, Chairman Burdick, Senator Moynihan or Senator Chafee have questions that they think need to be asked, I'll stay.

Senator LAUTENBERG. I'd be happy to submit mine in writing to the Department.

Secretary SKINNER. You had me for two hours. In all fairness, Senator Lautenberg got a good share of time.

Senator **Lautenberg**. Yes, but I also pay the bill, Mr. Secretary. [Laughter.]

Secretary **Skinner**. Users pay the bill. That's what we want, users.

Senator **Graham**. Mr. Chairman, I'd like to submit this question but in order to get it on the table, I'd like to get the Department's assessment and the standards by which they would make that assessment of whether in totality our national surface transportation system is enhanced today over what it was when we last reauthorized this act in 1987 or have we retrograded and second, what the Department feels the state of the Nation's surface transportation will be at the conclusion of this reauthorization if we were to adopt the Administration's recommendation? Are we getting better, worse or stagnating?

Secretary **Skinner**. We have studies in both transit and highways underway right now that will be done shortly that will allow you to quantify that information.

Senator **Graham**. I wonder if you could supplement the record with that analysis?

Secretary **Skinner**. We'll work that out for you, Senator. We'll do that.

[The following was subsequently received:]

Pavement conditions on the Nation's arterial and collector systems were in fair condition, on average, in 1989, although about 265,000 miles were rated in poor condition, including those roads that were unpaved. Over 640,000 miles, or slightly over 53 percent, of arterial and collector pavements were either in poor or fair condition. Excluding unpaved roads, about 48 percent of arterials and collectors are either in poor or fair condition. The amounts of pavement in these categories appear, for the time being, to have stabilized, stemming a continuous downward trend in physical conditions that was evident in the 1970's and early 1980's. In fact, pavement conditions on the Interstate System have improved since 1983. Pavement in the poor category has decreased from 14.2 percent to 9.4 percent.

Highway congestion has increased on all systems, particularly urban limited access facilities, where about 70 percent of daily peak-period travel occurs under congested conditions. About 43 percent of other arterial travel occurs under similar conditions.

About 112,000 arterial and collector bridges were rated as deficient in 1990. Of these, 15,000 were on the Interstate System, 40,000 were on other arterials, and 57,000 were on collectors. This was an increase of 1.5 percent in the total number of deficient bridges since 1984.

Adoption of the proposed Federal-aid reauthorization will provide sufficient funds that, together with appropriate State match, will enable States to stabilize, and in some cases to improve, conditions as they were measured in 1989. Further improvements in pavement condition would be made, especially on highways eligible for the National Highway Program. The number of structurally deficient bridges would be reduced through selective rehabilitation and replacement. Sufficient highway capacity would be added either through construction or traffic management activities, to at least keep up with expected growth in travel, except in the largest urbanized areas, where congestion will continue to worsen.

Senator **Graham**. Thank you very much.

Senator **Moynihan**. Mr. Chairman, before the Secretary leaves, one question, if I could.

Dr. Larson was scheduled to testify before the Budget Committee and wasn't able to. Can we get his testimony?

Secretary **Skinner**. It will be available by the end of the week.

Senator **Moynihan**. By the end of the week?

Secretary **Skinner**. Yes, sir.

Senator **Moynihan**. Fine. Thank you.

Secretary Skinner. Thank you very much. Thank you, Senator. Thank you, Chairman Burdick.

Senator Burdick. The second panel consisting of James Blum, Assistant Director, Budget Analysis, Congressional Budget Office and Kenneth M. Mead, Director, Transportation Issues is next.

Mr. Blum, will you proceed?

STATEMENT OF JAMES L. BLUM, ASSISTANT DIRECTOR, BUDGET ANALYSIS, CONGRESSIONAL BUDGET OFFICE

Mr. Blum. Thank you, Mr. Chairman and Members of the Committee.

I'm pleased to have this opportunity to discuss the President's proposed budget and other issues related to the reauthorization of the Federal highway program. As requested, I will give a very brief summary of my prepared statement, concentrating largely on CBO's analysis of the President's budget proposals for highway programs.

There have been some questions as to whether the President's budget provides for a major increase in spending on highway programs. *The Washington Post,* for example, ran an editorial on February 20th suggesting that the Administration was exaggerating its claim that the budget provided for a major increase in highway spending.

The answer depends on what is meant by highway spending and with what the President's budget is compared. For example, highway spending can be measured in terms of budget authority, obligations, or outlays, and these can be compared with previous spending levels or with projected baseline levels.

Let me turn first to budget authority. Budget authority for most highway programs is provided by authorization acts in the form of contract authority which is the authority to incure obligations in advance of appropriations. The budget calls for a new budget authority of $89 billion for the highway account in the Highway Trust Fund over the 1992–1996 period. Compared with the previous five-year period, 1987 through 1991, this would be an increase of $17 billion or 24 percent, which many would consider to be a significant increase.

The President's budget could also be compared with CBO's baseline projections for 1992 through 1996. The CBO baseline assumes that the 1991 level of budget authority remains constant in real terms, that is, with increases only for projected inflation. Under CBO's baseline assumptions, new budget authority for the highway account would total $80 billion over the next five years. Therefore, compared with the CBO baseline, the budget would propose an increase in budget authority of $9 million for this five-year period or about 12 percent, still a significant increase.

Another measure of highway spending is the annual obligation limits that are set each year in appropriation acts. The President's budget proposes total obligations for the highway account of $90 billion for 1992 through 1996, about the same level as for budget authority. Compared with total obligations for 1987 to 1991, this would be an increase of about $20 billion or 28 percent.

Compared with CBO's baseline projections for 1992 through 1996, however, there would be no increase. In fact, the CBO baseline is slightly higher because it is based on the 1991 level of obligations, which were given a big boost in the 1991 appropriations act.

Since the annual obligation limits and controls what can be spent from the trust fund each year, one could argue, as did *The Washington Post* editorial, that the President's budget does not provide a real increase from this year's level after taking into account projected inflation.

A third measure of spending is outlays, which when compared with tax receipts, indicates the size of the annual budget deficit. There is a considerable lag, however, between outlays from the Highway Trust Fund and the provision of budget authority or obligations. Nevertheless, outlays are a common measure of program spending.

Under the President's budget, CBO estimates that outlays from the highway account would total $84 billion over the next five years compared with $69 billion during 1987 through 1991. This represents an increase of $15 billion or 21 percent. Under the CBO baseline, however, looking ahead for the next five years, outlays would total $86 billion. Compared with the CBO baseline, therefore, the President's budget proposals for highway spending when measured in outlays represents a small reduction.

In conclusion, the President's budget does call for an increase in highway spending, whether measured in terms of budget authority, obligations, or outlays, when compared with previous spending levels. When compared with the CBO baseline for projections for the next five years, however, the budget shows an increase only for budget authority but not for obligations or outlays.

Mr. Chairman, I'd like to spend just a minute discussing the Budget Enforcement Act, which was enacted as Title XIII of the Omnibus Budget Reconciliation Act of 1990. This made a number of changes to budget enforcement mechanisms that have important implications for the Highway Trust Fund.

The budget has been divided effectively into two parts with different rules for each part. Receipts and direct spending are subject to a pay-as-you-go requirement so that new tax or direct spending legislation does not increase the budget deficit.

Discretionary spending is subject to annual limits or caps for both budget authority and outlays. Discretionary spending is divided into three categories for 1992 and 1993—defense, international, and domestic—but not for 1994 and 1995. There would just be one cap for all discretionary spending.

The Highway Trust Fund, it turns out, is included in both parts of the budget. Outlays from the fund, but not authorizations, are classified as discretionary spending and must compete with spending for other programs subject to the appropriation caps.

Changes to trust fund tax receipts, however, are subject to the pay-as-you-go requirement. This means that any increases in the Highway Trust Fund taxes from those legislated in 1990 cannot be used to pay for higher highway spending. They can only be used to offset reductions in other taxes or legislated increases in direct spending programs, such as Medicare or farm price supports.

Thus, while the President's budget calls for increased highway spending over the next five years, relative to previous years, this result is by no means assured. Highway spending measured in outlays and controlled through obligation limits will have to compete with other domestic spending programs during the next two years and with all discretionary spending, including defense, in 1994 and 1995.

Mr. Chairman, my prepared statement provides further details on the CBO baseline projections for the Highway Trust Fund, including the transit account and CBO's analysis of the President's budget proposals.

This concludes my oral summary. I will be happy to answer any questions that you or Members of the Committee might have.

Senator BURDICK. Kenneth M. Mead, Director, Transportation Issues, Resources, Community, and Economic Development Division, General Accounting Office. We'll hear from you now.

STATEMENT OF KENNETH M. MEAD, DIRECTOR, TRANSPORTATION ISSUES, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JACQUELYN L. WILLIAMS-BRIDGERS

Mr. MEAD. Thank you, Mr. Chairman.

On my left is Jackie Williams-Bridgers. She directs our work in the surface transportation area and I hope will help me answer any questions.

Overall, we think the budget reauthorization proposal is ambitious, yet it offers a good strategic framework for addressing the needs of the coming decade, particularly in that it increases funding and provides additional funding flexibilities.

We do have a number of substantive concerns though and a number of critical points where we think caution ought to be exercised. I'd like to make five overall points and then make several observations about program effectiveness.

The first relates to the proposed increases. The proposed $86 billion highway program could be increased by an additional $5 billion between fiscal years 1992 and 1996 and that allows for a cushion of $3 billion. What this chart shows is that in fiscal year 1996 revenues in the highway account will exceed program commitment by $8.1 billion. That balance includes revenues from 1997 and 1998 as required under the Byrd Amendment.

A second and related point I'd like to make is that deficit reduction pressures could dim the prospectss of obtaining the large funding increases that the proposal has rear loaded in fiscal years 1995 and 1996. Specifically, $3.4 billion of the $4.3 billion increase in proposed annual program authorizations would occur in 1995 and 1996.

A third point is while we believe that the extraordinary needs in the Nation's infrastructure can only be addressed through increased contributions at both the Federal and the State level, we would urge that any significant shifts of responsibility to States be phased-in over time. If this is not done, some States may not fully realize the benefits of proposed funding increases because they may not be able to meet the matching requirements.

I'd like to spend a moment on this chart. This chart shows that on the average States already finance totally—and I would underscore totally—the construction and maintenance of 78 percent of the Nation's highways. Moving over to the smaller piece of the pie, the one that says "Federal, 22 percent," under the Administration's proposal, the States will have to assume an additional 15 percent share for about 700,000 miles of primary, secondary, and urban highways.

To cover for a moment Senator Moynihan's point earlier on congestion pricing, we did review the Toll Facilities Pilot program in 1990 and reported that tolls can help States increase the amount of funds available for construction and maintenance on selected highways. Our work showed that keeping the Federal financial participation on toll projects lower than that for nontoll projects will most likely limit Federal-aid highway toll use to roads with a high traffic volume that can generate enough revenues to make them financially feasible.

We would add a strong caution that the committee not look to tolls as a panacea for Federal-aid financing because iof its potentially limited applicability.

The fourth point is consolidating most highway programs into a two-tiered system would, in fact, allow States greater flexibility to customize their spending of Federal-aid dollars to highways of critical importance.

We reviewed a limited block grant demonstration program. I think Congress called it the "Combined Road Plan," that was authorized in 1987. Five States were allowed to pool money from existing programs—specifically the urban, secondary and bridge programs—and they could use that money on any one or a combination of the three. We found that, at the time of our review, three of the five participating States genuinely benefitted from this flexibility and would have desired more of it (the remaining two States began participating later, but also expected to realize benefits).

We also examined States use of a provision in the current highway program which allows them to transfer a limited portion of their funds between certain program categories. We found that, in fact, under this provision, 35 States have transferred over $800 million during the last three years to better align Federal funds with their highest priority needs. That to us is suggestive of a strong need for funding flexibility.

This particular chart illustrates some of the transferring that has occurred. You can see that from October 1987 through September 1990, most fund transfers have been from the the Interstate 4-R programs, which cover reconstruction, rehabilitation, restoration, and resurfacing programs to the primary highway program.

I think it's important to point out that because the majority of the primary highway system, which is where the States have identified the most significant needs, will be in the urban/rural tier—that's the so-called lower tier—and not the highways of national significance, we would support the proposal to allow fund transfers from the upper tier to the lower tier. Each State is different though and a cookie cutter approach to meeting the needs of all 50 is not advisable, in our opinion.

The final point here is that the reauthorization proposal seeks to draw attention to the importance of highway preservation by establishing a 90 percent Federal share for preservation compared with a 75 percent Federal share for highway capacity enhancement activities. We're not confident that this will be enough to ensure the protection of the $130 billion investment in the interstate.

In 1988, over 40 percent of the Interstate was in fair or poor condition. In view of DOT's estimates of vastly increased demands for capacity enhancement, like lane widening, we think there is likely to be intense pressure within the States to select capacity projects over preservation. However, the Administration's reauthorization proposal does not contain goals for preservation and has no minimum investment criteria for preservation. In addition, while DOT has a provision in the bill that allows the Secretary of DOT to require States to bring their Interstate up to adequate standards, DOT has no standards for what constitutes adequate condition.

I will also cover three points that relate to program effectiveness. One relates to the bridge program. There was discussion earlier this morning about a new methodology that FHWA is proposing to use called the level of service methodology. Our work suggests that this new methodology would be significantly more effective in identifying deficient bridges than the current methodology. However, the agency doesn't plan to take full advantage of it. What will happen as a result, is that all deficient bridges that FHWA identifies as eligible for Federal funding will be considered to be equally deficient. That could significantly impact DOT's ability to ensure that the Federal investment in bridges yields the highest return.

This chart shows where the funding is most needed for bridges—72 percent of the proposed bridge funding would be needed for bridges on the National highway system; 27 percent on the urban/rural system; and only about 1 percent on the off system local bridges.

What's important to note here is that the Administration's proposal, rather than requiring the investment of only 1 percent of Federal bridge funds in off system local bridges would instead require investment of between 10 to 25 percent.

The second point relates to highway apportionment formulas. The Administration's proposed apportionment formula is trying to reflect where highway needs are greatest. We are concerned though about what impact this could have on States who might not view themselves as benefitting under the new formula. We would suggest that any change in formula be phased-in.

A cautionary note here is that the funding increases proposed by the Administration masks the impact of formula changes on those States that could sustain a reduction in apportionments due to the changes.

Finally, a word about highway and mass transit flexibility. We strongly endorse the concept of intermodalism and we support an intermodal investment strategy. We are not confident though that this bill will get you there. It does make mass transit capital projects eligible for highway funding, and highway projects eligible for mass transit funding. However, the way DOT approaches this area now is to prepare separate needs studies for mass transit, highways, bridges and airports. They are all separate and there's very little if any reconciliation of those needs studies at the Federal level.

Complicating that, in our view, is the fact that the objectives of highway programs is different than the objectives of mass transit. In highways there is a built-in objective of accommodating more and more cars while in transit the objective tends to be more towards the movement of people.

Mr. **Mead**. That concludes my statement and we'll be glad to answer any questions.

Senator **Burdick**. Thank you.

Senator Moynihan.

Senator **Moynihan**. Thank you.

I want to thank Mr. Blum, Mr. Mead and—is it Ms. Bridgers?

Ms. **Bridgers**. Yes, Ms. Bridgers.

Senator **Moynihan**. As you know, Mr. Blum—maybe you don't know, maybe I'm wrong—but the budget process, and particularly last year's budget agreement was an extraordinary exercise in obfuscation. Nobody understands it except an elite, hugely undemocratic. I didn't understand three things you said and it is not because of you but because of what you had to explain. As best I can understand, the agreement was designed to get everybody past the next presidential election and put off all decisions until then. Would that be something—I don't know, I shouldn't ask you that.

Mr. **Blum**. I think, Senator, you could safely conclude that though.

Senator **Moynihan**. I could safely conclude that. That's about as much as I understand, although I do have other strong views. From my extensive knowledge, as I've said, of Roman history acquired through the novels of——

Mr. **Blum**. Robert Graves.

Senator **Moynihan**. Robert Graves—I've concluded that it is a mistake for Senators to allow themselves to be taken from Capitol Hill to a military base and surrounded by an armed guard, that they don't come out with the best of arrangements after that has been done.

Am I basically hearing you say that for the next three years, we're going to be spending about what we're spending now?

Mr. **Blum**. In real terms, that's correct.

Senator **Moynihan**. And we have to get this authorized—it has to go through the Appropriations Committee as well?

Mr. **Blum**. Yes, sir, it does. That's what the general practice has been for some time now for the appropriation.

Senator **Moynihan**. Yes, but they never appropriate and they can appropriate more, isn't that about right?

Mr. **Blum**. They actually provide two things. One is what is called a liquidating cash appropriation which is simply to make the cash available from the trust fund to reimburse the States for work that has already been performed under the contract. They also provide an annual obligation limit, which limits the amount of obligations that can be entered into by the Department of Transportation during that year.

Senator **Moynihan**. But the experience is that they do about what the trust fund provides, isn't that about right?

Mr. **Blum**. That's correct. Over the last five years, for example, the amount of outlays going out of the trust fund has about equaled the amount of tax receipts coming into the trust fund.

Senator **Moynihan**. There's a little surplus there that stays about that. I'm trying to think about the institutional behavior of the Appropriations Committee. See, we don't know whether we matter anymore, all of the authorizing committees, and there is such an enormous amount of lying that goes on. I can think of some committees who when faced with this situation would say, let's have a trillion dollar program and solve America's transportation problem and we'll pass a trillion dollar program and then $8 billion will be appropriated. It's a form of lying and it's becoming very much an institutional problem.

That's why the Post editorial was sort of helpful. All through the 1980's, we lied about big programs calling them small, now we're lying about small programs calling them big, but at least it doesn't give you as many out year problems in budgetary terms, it may give you transportation problems. Don't go away in the next six months; we're going to need you. If you leave, let us know, for long weekends or things like that.

Mr. Mead and Ms. Bridgers, you'd think after the largest public works program in history, that there'd be somebody in the Federal Government who would wonder what did we do, did we do any good, was it a good idea or a bad idea. Thirty years ago I wrote a long paper and said, this is going to wreck our cities and these are too big to put through cities. They are fine for cornfields, we don't know how to do them in cities and I think they did. I really think they changed American civilization—left the inner city isolated. The Census now shows the new relevance all way out there beyond that circumferential highway which everybody built.

You have transit. Is there any hope for transit or did we so disperse, did we bring density levels down to the point where transit makes no sense? Is it a sentiment? Is transit a city planner's enthusiasm.

In 1960, Paul Ilmasacher said that city planning is a failed profession.

Mr. **Mead**. I think the point on mass transit deserves a lot of deliberation. We have testimony this afternoon on the House side on mass transit and in preparing for that and this hearing, it was obviously necessary to draw some parallels over what's happened in the highway area and mass transit over this past decade.

The figures for mass transit show nearly a 50 percent cut when one considers the impact of inflation and the Administration's proposal for funding over the next five year period contemplates roughly a 1 percent increase for transit compared to somewhere between a 25 and 30 percent increase in highway program authorizations.

Senator **Moynihan**. Wait a minute, help an old man. You said a 50 percent cut, then you said a 1 percent increase. That's too quick a transition for me. Slowly, speak slowly.

Mr. **Mead**. In spending over the 1980's, mass transit declined from what was about $4.5 to $4.6 billion at the beginning of the decade to what at the end was roughly $3.2 billion.

Senator **Moynihan**. We'll call that 50 percent?

Mr. MEAD. Yes, when you consider inflation. Now comes the Administration's reauthorization proposal for the next five years. The Administration reauthorization proposal contemplates a 1 percent increase for the next five years over what we were spending this past year.

Senator MOYNIHAN. Maintains that 50 percent cut.

Mr. MEAD. Yes.

Senator MOYNIHAN. They're claiming a 39 percent increase or something in highways?

Mr. MEAD. In the authorization limits, 30 percent I think it is.

Senator MOYNIHAN. What does Ms. Bridgers think of that? Do you think that's a good thing or a bad thing?

Ms. BRIDGERS. I would like to respond to your question, Senator, about whether or not we're making any progress, given our past investment levels on infrastructure. I think one of the reasons why we cannot determine whether or not we're making progress is a problem that you alluded to earlier. There are no measurable standards for determining progress. Also, we have not established any acceptable levels of performance.

We reflected earlier on the condition of our Interstates. Is 40 percent an acceptable level of performance for our premier highway system? We question whether or not it is.

Senator MOYNIHAN. Is what percent?

Ms. BRIDGERS. Forty percent of our Interstates are considered in fair or poor condition which means they have a barely tolerable ride for the most part. We have not come to grips with whether or not that is an acceptable performance level for our premier highway system.

Similarly, in our bridge program, DOT has estimated over the past 10 years or so that $50 billion is needed to replace or rehabilitate them. They have consistently provided us with that estimate. They have consistently told us that some 40 to 43 percent of our bridges are deficient. We have not yet come to terms with whether or not we are willing to accept that level of deficiency for the major safety network in our Nation.

I think that as the Congress looks to craft a reauthorization bill that it should look discernibly at whether or not there should be some acceptable levels of performance and establish some measures of progress, given the levels of investment that we intend to make.

Senator MOYNIHAN. Thank you very much.

Senator BURDICK. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

I want to follow up exactly on that point because I've been concerned that the testimony has been essentially oriented at the spending side, the input side of the equation without much attention to the output side—what are we getting and where is the trend line of our nation's surface transportation system.

Ms. Bridgers, in your comment, I would distinguish between an objective and a subjective factor. There are standards. The State Highway Transportation Officials, AASHTO, have standards that you can apply that are largely quantifiable and measurable as to what is happening to a bridge or highway.

I think the second thing that maybe is missing is a determination of at what level those standards is considered to be acceptable.

Having made that statement, is anybody keeping a list of just the objective standards, or the inches of concrete on the highway that are disintegrating, are they disintegrating at a greater rate today than they were five or ten years ago, and what do we anticipate will happen over the next five years if we adopt the Administration's surface transportation proposal?

Ms. **Bridgers**. The measures of performance that the Department currently uses for pavement condition are fairly subjectively used by the States, so it is not appropriate to use those ratings—it's called a pavement serviceability rating—to compare pavement condition across the States. As a result, we don't have a good nationwide picture of whether or not we are making any progress with the available measures that we do have, if that responds to our question.

Senator **Graham**. So in answer to the question of are we better or worse today than we were when we last reauthorized this bill in 1987, the answer is, we don't know?

Ms. **Bridgers**. We don't know.

Mr. **Mead**. We can tell you what people are reporting from the different States and you might find these figures useful. In 1981 in terms of pavement conditions, 62 percent of the pavement was reported in good condition, today that has dropped to a little less than 57 percent. In poor condition, which I think most people when they ride over a poor road, recognize it and agree that it is poor. That has stayed stable over the decade at 12 percent. Over 25 percent of the road is poor in 10 States and poor is less than 2 percent in 13 States. So I don't think we've made a lot of progress. If anything, we've gone back, particularly with the amount of pavement accruing in the fair condition. One concern we have is that fair pavement trips over into poor fairly rapidly.

Senator **Graham**. It seems to me, Mr. Chairman, that at some point we ought to have a session which focuses on the general state of health of our surface transportation system.

I get somewhat the deja vu sensation of being at meetings like this relative to education where people would make the statement we are increasing expenditures on education and make therefore some assumption that the quality of education is going to be enhanced.

What wasn't told was that the mix of students is changing so that you have more students with special needs and therefore, the cost per average student has been going up, or your buildings are now 50 years old and you've got to be spending more on maintenance of the building which takes money away from what can happen in the classroom.

All the things that were disguised by just the general fixation on input numbers and percentage increases withheld from you the fact that your educational system was disintegrated and you had the false sense of security that you were at least stabilizing. I'm worried that we may be lulled by the Administration's optimism into feeling that we are doing something positive when in fact the system is slowly eroding.

Mr. **Mead**. I would share your views as you articulated them before about goals and knowing where your destination is. I believe that this committee and the Congress should focus very carefully on what your goal is in the way of preservation because if we don't focus that goal very carefully, you will find people tending towards lots of capacity enhancement projects like widening. As Senator Moynihan was pointing out, we don't have a good understanding of what congestion means, which means we might have a lot of capacity enhancement projects at the expense of preservation.

Senator **Graham**. I'm not suggesting by using the example of preservation that I think we ought to be single-mindedly focused on preservation. You have to have a balanced system which includes preserving what you have as well as meeting future needs. Coming from the State of Florida I am particularly sensitive to that requirement but that the Federal Government doesn't have any capacity to assess the quality and adequacy of the system and can only talk about expenditures into the system is I find unacceptable and I would hope that before this process is over that we have been forced to move towards some standards and categorization of standards and a statement of what is acceptable as a nation in terms of our surface transportation system.

Mr. Chairman, if I could just conclude with one technical question.

Senator **Burdick**. Sure.

Senator **Graham**. We've used the term cost of living adjustments in several different contexts here to describe the input level. Are you using a specialized cost of living that focuses on the items that go into transportation or are you using a general cost of living adjustment?

Mr. **Mead**. The 50 percent figure I used to characterize the decline in mass transit spending over the last decade was calculated using a standard cost of living.

Senator **Graham**. Well, it was our experience at the State level that the cost of living for transportation tended to be higher than the general cost of living. Is the Federal experience different than that?

Mr. **Mead**. I'd defer to my colleague from CBO.

Mr. **Blum**. I'm not sure that CBO has looked at that. When I described CBO's baseline projections, adjusting them for inflation, we're just using the GNP deflater for that.

Senator **Graham**. Why are you doing that?

Mr. **Blum**. Because the Budget Act makes us do that. That's the specification that is in the Congressional Budget Act for calculating a baseline. We do that for all nonpersonnel items.

Senator **Graham**. But why don't we make a determination if that's a rational assumption. If it is a rational assumption we'll be happy. If it's not a rational assumption at least we will know the degree of error that we are forced to accept.

Mr. **Blum**. I'd be happy to look into that and supply something to you.

[The following was subsequently received:]

Comparing the Federal Highway Administration's Composite Bid Price Index, which indicates price trends for Federal-aid highway construction, with the implicit GNP deflator results in different patterns, depending on the period selected. From 1964 (the first year for which FHWA data are available) to 1989, the highway index grew 347 percent, while the GNP deflator grew 284 percent. For the past decade, however the GNP deflator grew 47 percent while the highway cost index grew just 11 percent. The highway cost index is relatively volatile. It experienced sharp increases in 1974 and 1979, reflecting the oil price shocks ofthose years, and it has declined during recessions.

Senator **Moynihan**. We'd appreciate that, Mr. Blum. We appreciate all this and want you to know that we look upon you—you're our people, you know, and friends of this committee, not that the others are adversaries at all.

You might be interested to know that we have in mind something like the Bureau of Transportation Statistics. We've held hearings here and had economists come in and planners and they say if we knew a little more, we can tell you a little more. We just don't seem to have as much as we might do.

On transit we're just going to have to ask—we do have a couple of States with real transit systems. It happens New Jersey-New York is one and it runs up to Connecticut. California is getting some transit now. It turns out an awful lot of people ride it—the blue line, is that it?

Ms. **Bridgers**. That's correct, sir.

Senator **Moynihan**. I'm sure you've been on it. A lot of the people ride it because of the novelty. It's like the horse and wagon. You ever see one of these? It's called railroad.

We're going to try to see if we can't do some experimental MagLev in this system. Governor Wilder would like to move from here out to Dulles and it's a nice run. Senator Graham has plans to go from Miami to Orlando maybe; high speed is what you may be interested in, a little something new. It would be awfully dreary just to go through something—you really get yourself enthusiastic about the subject of capacity enhancement, don't you. More lanes won't get them anywhere; they've had as many lanes as they can do now.

I don't think that there's society and it will take some time. We realized what happened when we built the Interstate. We built the Interstate because General Motors was in the saddle, finally, and they thought up the idea, and it seemed like a good one, and it was, but it was an intracity system. Most of the money was spent in cities and the effect was devastating. It was done by people who didn't know what a city was, didn't care, didn't know what a highway was and loved them and built them beautifully.

To complain too much is a mistake. If we had such a bad transportation system, why did the 1980's see overnight delivery of packages in a private economic system—Federal Express, overnight, put it in by 1:00 and it's there in the morning. Now, that's not a bad transportation system. That's a pretty spectacular transportation system. Not as good as London was 40 years ago when you could mail a letter before 10:00 a.m. and it was delivered before 4:00 p.m. anywhere in the city but a lot of clever people were happy to be postmen and they now are computer programmers.

I think that about does it except for me to thank you and say don't go far away. We've got to try to write a bill in good order and be done and we hope it's something just a little bit more than pouring a little bit more concrete.

We thank our guests, we thank you, sir, and with that, our hearing is adjourned.

[Whereupon, at 12:56 p.m., the committee was adjourned, to reconvene at the call of the Chair.]

[Statements submitted for the record and responses to additional questions follow:]

PREPARED STATEMENT OF SAMUEL K. SKINNER

Mr. Chairman and Members of the Committee, I am very pleased to appear before you to discuss the reauthorization of the Department's highway, transit and highway safety programs. With me this morning is my colleague Gene McCormick, Deputy Administrator of the Federal Highway Administration.

With the reauthorization of the surface transportation programs this year, we face major challenges. I am confident that all of us share the preeminent goal of promoting a sound, safe and efficient transportation system. A greater commitment to maintaining, preserving and expanding our infrastructure will strengthen America's hand in an increasingly global marketplace. I look forward to working with this Committee to enact a bill that achieves this goal.

As you know, the President announced the Administration's proposal for reauthorization on February 13. The principles embodied in the President's Statement of National Transportation Policy (NTP) served as the basis for our proposed "Surface Transportation Assistance Act of 1991" (STAA). The NTP set the stage, and now the STAA of 1991 will provide the script for the "post-Interstate" era. It incorporates many of the features that your Committee and others who are knowledgeable in the field of surface transportation have recommended. As President Bush said, "With this legislation, America is on the road to expanded productivity, more jobs and a strengthened infrastructure."

This morning I would like to review for you some of the highlights and objectives of our proposal.

The Surface Transportation Act of 1991 is a "breakthrough" bill both in its increased funding levels and in its intermodal design. We are proposing a dramatic increase in Federal funding for surface transportation programs for fiscal years 1992 through 1996: highway programs would increase 39 percent from fiscal year 1991 to the last year of the STAA, 1996; the overall transit capital investment would increase 25 percent over the same time period; and funding for highway safety activities would rise by 34 percent by the same comparison. Total funding for the STAA amounts to $105.4 billion over five years.

A five-year authorization is important. It will provide the needed stability in funding so State and local officials can adequately plan and manage their programs. The highway management systems that are a major feature of the STAA will require a phase-in period before they become fully operational. A five-year authorization will also allow the necessary time to complete the final construction of the Interstate System and to complete the transition to our proposed new programs.

These funding levels build on the enormous investment we have already made in highways—$129 billion on the Interstate Highway System alone, by the time it is finished. There is a lot of work still to be done, and all levels of government must continue in our successful partnership to see that we finish the job. The Federal Government should increase its financial commitment and State and local governments must do the same. Let me emphasize that point. Our proposal has been criticized for reducing the Federal commitment to surface transportation. That simply is not true. Our bill provides for a significantly increased Federal financial commitment—but we are also expecting the States and local governments to increase their funding for highways and transit.

I would like to note briefly the effect of this increased spending under our bill on the Highway Trust Fund balances and commitments. I know this issue is of great interest to this Committee. Last May, your Committee held in-depth hearings on the status of the Trust Fund where our Assistant Secretary for Budget and Programs, Kate Moore, discussed in great detail the history of Trust Fund spending and its budget implications. Let me say in general that those who pay user fees are seeing more money spent on highways than they are paying in user fees. At the end of fiscal year 1991, there is projected to be a cash balance of some $11 billion in the Highway Account. In the early 1970's, the cash balance rose rapidly from $2.6 billion in 1970 to $9.6 billion by 1975, as a result of impoundments. The cash balance reached a high of $12.6 billion in 1979. Ever since 1981, the balance has fluctuated between $9.0 billion and $10.6 billion.

The cash balance is not a "surplus." We must consider that balance in the context of future commitments—similar to a checking account. Because the highway program is "slow spending", commitments can be made that depend on future-year revenue, that is, FHWA can approve projects and incur obligations that total more than the current cash balance. Under the Byrd amendment, the law allows FHWA to apportion spending authority to the States at the beginning of any one year as long as that new authority plus existing unpaid commitments do not exceed the current cash balance and the projected income for that coming year plus the next two. In other words, we are legally permitted to be in a position where, if we stopped the program at the end of one year and made no new commitments, we are authorized and would need to continue to collect taxes and earn interest for up to two years to pay the bills for commitments we had already made.

Commitments against the Highway Account will greatly exceed the cash balance—by more than $21 billion by the end of this fiscal year. Under our proposed reauthorization, the cash balance of the Highway Account will grow despite authorizing levels of spending that are greater than the expected tax receipts, due largely to the lag in outlays. Under the STAA, budget authority from the Highway Account will increase from $16.3 billion in 1992 with annual increases until it reaches $20.6 billion in 1996. This is compared to a level of $14.3 billion in fiscal year 1991. The Highway Account's cash balance will rise from $11.1 billion at the end of this fiscal year to a peak of $16.1 billion at the end of 1995, and then decline to $13.8 billion at the end of 1996. However, the Highway Account is overcommitted and has been for many years. By fiscal year 1996, commitments will exceed this cash balance by nearly $24 billion, or 172 percent of the cash balance.

With respect to the Mass Transit Account, outlays have been less than tax receipts, but total Federal spending on transit—from the Trust Fund and the General Fund—has far exceeded tax and interest collected in the Mass Transit Account. Our proposal would make better use of the revenue in the Mass Transit Account and nearly eliminate reliance on the General Fund. So, unlike the Highway Account, the Mass Transit Account does have a genuine surplus, that is, the Account is undercommitted. At the end of this fiscal year, we project that the cash balance in the Transit Account will be $8.4 billion. The surplus will be $3.6 billion; however, under our proposed legislation, that surplus will decline sharply by fiscal year 1996.

Under the STAA, all of UMTA's programs (except Washington Metrorail construction) would be funded from the Transit Account. Spending authority is proposed at $3.25 billion for fiscal years 1992 through 1995, and then increases to $3.32 billion for 1996. This compares to a level of $1.4 billion from the Transit Account this fiscal year. As with the Highway Account, the cash balance will rise due to the outlay lag characteristic of these programs, from $8.4 billion in 1991 to a peak of $10 billion in 1994, and then decline to $8.6 billion in 1996. Our proposal causes the uncommitted balance—or surplus—to drop from $3.6 billion in 1991 to $425 million in 1996.

Now, I would like to turn to outline the main features of our proposed Surface Transportation Assistance Act of 1991. The increased funding provided under our proposal will support one of our major objectives—increasing the mobility of people and goods. Much of the policy debate over the development of our proposal focused on the nature of Federal investment in highways once the Interstate System is complete—and it is nearly complete. Our highway program features three major categories for Federal aid: the National Highway Program, the Urban and Rural Program and the Bridge Program.

The National Highway System (NHS) is a central feature of the STAA. The NHS will incorporate the 43,000 miles of the Interstate System, as well as mileage to reflect the major demographic and travel changes that have occurred since the Interstate routes were designated some 40 years ago. The NHS will include up to 150,000 miles of principal arterial routes. I should note here that this is not a major new construction program; rather it is a program for designating mainly existing roads for incorporation into the system. These roads will be upgraded and improved as necessary, but it is not our intent to create a 150,000 mile Interstate System. The NHS will serve major population centers, rural areas, ports, airports, and international border crossings; meet national defense requirements; and serve interstate and interregional travel. It is a system that will connect people and jobs, products and markets. The STAA proposal provides that new capacity on beltways and bypasses in urban areas will have separate lanes for through traffic to help reduce the impact of congestion on interstate traffic.

I want to emphasize that the NHS will be developed in close consultation with the States during a two year designation process. In other words, we intend that the final NHS reflect the priorities of both partners—Federal and State. And it will be upon those joint priorities that we will focus our investment.

Moreover, we are determined to keep rural America connected to the rest of the country. In addition to investment on the NHS, our Urban and Rural Program provides funds for highways and transit in both urban and rural areas. Funds for innovative projects will be provided to address urban and rural transportation problems.

The increased flexibility between highway and transit funds will enhance mobility by allowing State and local officials to fund the best transportation solutions for the unique problems of particular areas. Expanding rail transit lines or improving bus service could be as important for some urban areas as building more roads. We also want to make mass transit more accessible to travelers with disabilities. Last year the Americans with Disabilities Act strengthened this mandate. Funding would be available for projects designed to assist in the implementation of that Act.

Our vision for greater mobility also embraces research and technology, particularly the development of advanced technologies to relieve congestion. Prime examples are Intelligent Vehicle Highway Systems (IVHS) to integrate drivers, vehicles, and local highways through electronic guidance, warning, and control systems. Our budget calls for increasing this program from $20 million in fiscal year 1991 to $60 million in fiscal year 1992. Smart cars and smart highways will provide transportation operating agencies up- to-the minute information on traffic movements and congestion "hot spots." This information will be used to manage and control traffic and provide vital information to travelers through changeable message signs, highway advisory radio, and other means. This technology can lead to improvements in mobility, congestion, safety, and air quality.

One of the most significant challenges we face is the rehabilitation of our nation's bridges. To address this problem, funding for this program will be increased by 69 percent from $1.63 billion in fiscal year 1991 to $2.75 billion in fiscal year 1996. The $10.7 billion investment for bridge repairs under our proposed Bridge Program will rehabilitate and replace our structurally deficient bridges. And that is in addition to the bridge rehabilitation that will occur under the National Highway Program and Urban and Rural Program.

We also aim for better stewardship in the spending of transportation dollars and in the use of the country's existing highway and transit infrastructure. The new Urban and Rural Program will provide assistance to States via a program with increased flexibility and minimal Federal requirements, allowing State and local governments to target funds to address metropolitan and rural transportation issues more effectively. It consolidates several current categories of assistance including part of the current primary program for routes that are not designated as part of the NHS, and the urban and secondary programs. Under this program, funds can be used for highways or mass transit. States will also have the flexibility of transferring up to 15 percent of their funds for the National Highway System to the Urban and Rural Program so long as they have adequately maintained their Interstate Highways.

Our proposal builds on the Federal/State investment partnership. It also provides new Federal financing opportunities, and strongly encourages private sector involvement. The bill provides the flexibility to attract more funds from the private sector making possible a range of new public/private partnerships to build toll roads, bridges, tunnels, as well as bus lanes, new transit facilities, or perhaps even to encourage magnetically levitated trains and high-speed rail facilities by accommodating them within highway rights-of-way if that can be done without impairing highway operations. Public/private partnerships can engage the entrepreneurial energies of the private sector. An example of such a partnership is the California Department of Transportation's recent approval of four private toll road projects from a number of competing proposals. The combined value of these projects is about $2.5 billion. These plans include such innovations as allowing the value of building above a highway to be factored in and considered in the financing package. Permitting the States to use at least some portion of their Federal aid on facilities otherwise financed, built, and operated by a private firm is a step towards wider use of the creativity of State and local officials and the private sector.

In addition, the idea of preserving the investment we make in transit and highway infrastructure is critical. Besides specific safeguards for preservation of the Interstate System, the STAA would implement modern performance-based management methods by requiring States to have bridge, pavement, congestion and safety management systems. Several States have these now. Good data collection and analysis of highway system performance will help them target their funds to the most cost-effective improvements.

We can make progress in addressing environmental concerns and enhancing energy conservation and efficiency through improved operation of transportation systems. The STAA of 1991 contains numerous provisions that will assist States in meeting environmental objectives, including the requirements of the Clean Air Act amendments. They include funding for operational improvements and startup costs for traffic management and control under both the NHS and URP programs. Traffic Demand management strategies on the Interstate System, including construction of new HOV facilities, will receive a higher Federal match than new capacity, 90 percent versus 75 percent. Projects for bicycles and pedestrians would be eligible under all the major programs and could be funded entirely with Federal funds. The expanded research and technology program will enable States to more effectively assess environmental impacts and the effectiveness of various mitigation strategies.

Under the proposal, a State's transportation planning must be coordinated with the development of the transportation portion of the State's air quality implementation plan. In urbanized area planning, the STAA would require consideration of long-range land use plans, development objectives and overall social, economic and environmental impacts of various projects. Metropolitan areas would be required to develop a congestion management system that provided for the effective management of new and existing transportation facilities through the use of travel demand reduction and operational management strategies. Large cities with air quality attainment problems would be permitted, subject to the approval of the Secretary to experiment with congestion pricing strategies on Federal-aid highways, so that they could, for example, impose bridge and tunnel fees for peak traffic periods that would encourage drivers to make their nonessential trips outside rush hours.

The bill would continue to provide for the acquisition of land for the construction of carpool and other publicly owned parking facilities. The Secretary also could authorize a State to make rights-of-way available without charge to a publicly or privately owned mass transit authority for transit, rail, high speed ground transportation and magnetic levitation facilities.

The STAA would authorize States to use highway funds to prepare wetlands conservation plans and to participate in wetlands mitigation banks to earn credits to be used for future highway construction. Scenic byways would be eligible for development if otherwise eligible under the NHP and URP.

The proposal also makes a number of changes to current provisions affecting outdoor advertising by focusing on controlling billboards in rural areas where aesthetic protection is most important. It would prohibit new off-premise signs in areas of control except for most of the currently excepted sign categories, such as directional signs. Payment of compensation for removal of nonconforming billboards would be a State matter under State law; and Federal funds could be used to a limited extent to pay for sign removal.

I would like to turn now to two features of our proposal: the apportionment factors for distributing highway funds and the Federal/State matching shares that will be revised under our bill. These have already generated spirited debate so I want to address them directly.

Under the current Federal-aid highway program, there are a number of complex apportionment formulas. Their component factors include: Interstate lane miles, Interstate vehicle miles travelled, land area, rural population, urban population, postal route mileage, the share of cost of deficient bridges, total population, public road mileage, and the number of rail-highway crossings.

As you can see, many of these are complicated and outdated factors. In contrast, our proposed reauthorization bill simplifies and streamlines the formulas. Under our proposal, we place increased emphasis on the extent of travel on the highway system. NHP funds will be apportioned based 70 percent on each States's share of total highway use of motor fuel, 15 percent on each State's share of total road mileage, and 15 percent on land area. There will also be apportionment adjustments through use of a low population density factor to give extra funds (capped at $35 million a year per State) to States with low population densities to ensure that national needs are met in States with comparatively low tax bases. Urban and Rural Program funds would be distributed based on State contributions to the Highway Account of the Trust Fund.

Our proposed formulas direct funds primarily on the basis of highway usage. Heavy use of a road system creates significant need. We believe that this is simply a more rational approach to apportionment formulas and that the factors I have described are reliable and verifiable.

Bridge Program apportioned funds would be distributed based on a level-of- service criterion to be established by the Department, which would weight bridge needs in the States based on the volume and type of traffic bridges carry.

There are no "perfect" formulas that will satisfy every State; however, our highway proposal sets forth a fair and equitable means of distributing highway funds. The factors are objective, justifiable, and they will efficiently distribute resources where they are needed.

A larger Federal investment must be accompanied by greater State and local participation. Through this enhanced partnership, program resources will be greatly augmented. Under current law, the Federal share on Federal-aid highway projects varies from 75 percent for the primary, urban, and secondary programs, to 80 percent on the bridge program, to 90 percent for Interstate construction and preservation, with provision for even higher shares in States with large areas of public lands. Under our proposal, Interstate construction would continue to get 90 percent Federal funding. Other NHS projects would receive 75 percent Federal funding, except that operational improvements and resurfacing, restoration, and rehabilitation (3R) work on Interstate highways would continue to receive 90 percent. This is basically the same as today's share ratio. The Federal share for bridge projects would be set at 75 percent; URP projects at 60 percent and toll roads at up to a maximum of 35 percent. Planning would be eligible for 75 percent Federal support and the sliding scale provision with higher shares for States with large areas of public lands would generally be retained.

I would like to make a couple of points here. First, these matching share ratios reflect the overall strategy contained in the National Transportation Policy and now outlined in our bill: we must focus Federal resources on systems of national significance. The whole purpose of designating a new National Highway System is to define and focus scarce Federal resources on the highways that are of greatest importance to interstate commerce and national defense.

We propose to deemphasize the Federal role in projects funded under the Urban and Rural Program. Because these non-NHS highways carry primarily regional and local traffic, State and local governments ought to have broad discretion in the use of URP funds as well as greater responsibility. We believe we get the best decisions regarding highway and transit projects at the local level, especially regarding the priority of projects, when State and local areas have a greater financial interest vested in projects. With a greater State and local involvement, decision makers will make more careful decisions, and be more accountable to their constituencies for those decisions.

Let me turn now in more detail to the transit portion of the bill. The bill would make a number of significant changes to the transit program. We propose to authorize approximately $3.3 billion a year over the five-year life of the bill, some $16.3 billion for mass transit projects. All funding would come from the Mass Transit Account of the Highway Trust Fund, providing mass transit agencies for the first time an assured and stable source of funding for the entire transit program. In addition, funding for the Washington Metropolitan Area Transit Authority (WMATA), which is reflected in UMTA's fiscal year 1992 budget, but not in this authorization, would come from the General Fund. This is consistent with the agreements worked out in last year's reauthorization for the WMATA Metrorail System.

Our proposal would also greatly increase the amount of funds delivered by existing formulas to States and localities. While we generally would continue the existing structure of the Federal transit program under our proposal, we would allocate more of the funding on a formula basis so that areas would know each year how much money would be available to them. This change will permit State and local officials to develop long-range plans to address their transportation needs with some assurance that the Federal funds will be there. Under our current program, 52 percent of the funds go out under a statutory formula. Our proposal would increase this to 80 percent of the funding under the transit program.

As I noted before, our proposal would open a major portion of the highway program for the first time for funding of transit projects, just as we are opening the transit program for funding of highway projects. This will allow States and localities the increased flexibility to determine the most effective transportation projects in their area, be they highway or transit.

Along with increased Federal and local funding flexibility, we also need to increase the level of funding and commitment at the local level for mass transit. To accomplish this, we are proposing to modify the Federal share from 80 percent to 60 percent under most of the transit programs, generally paralleling the matching shares in the highway program for programs open to intermodal use. The Federal share for new starts would be modified from 75 percent to 50 percent. As I noted above, we believe we get the best decisions at the local level when State and local areas have a significant financial commitment to projects. We believe that projects that are of better quality get built on time and within budget when there is greater local financial participation.

Our proposal would continue to provide funding for new fixed guideway systems, beginning with $300 million in fiscal year 1992, and increasing up to $400 million in fiscal year 1996. Let me emphasize, however, that our proposal would fund only those systems that are truly cost-effective and supported by a significant and assured source of local funding. We want to avoid participating with scarce Federal dollars in any costly new rail systems that cannot meet our new start criteria.

Our proposal would not make major changes to the existing section 9 statutory formula, which we believe does a good job in delivering funds to the areas that need them. However, $600 million in rail modernization funds will be distributed under the rail tier of the formula. The change in the distribution of rail modernization funds from a discretionary basis to a formula basis would provide resources to all rail cities, not just to the older rail cities as is done under current law. Yet, even though the number of cities receiving rail modernization funds would increase, the bulk of the funds would still go to the rail cities which have the greatest capital needs.

In addition to the $600 million targeted for the rail tier, the rail cities, along with all the other cities qualifying for section 9 funds, would receive the rest of the section 9 funds through a statutory formula.

We are also proposing to prohibit use of formula funds for operating subsidies for areas over one million in population, although capital funding for these areas would increase. Federal operating subsidies represent only 4 percent of the total operating costs of areas over one million population. Areas below that one million level essentially would be held harmless at their fiscal year 1991 operating assistance levels. It is clear that it is the smaller areas that rely most heavily on operating assistance, and our bill would help them by broadening the definition of capital to include supplies and materials (but not including wages and fuel) and allowing these items to be funded within the Federal capital grant program. Cities would have to use their "operating cap" for materials and supplies first and could use any remaining portion of the cap for wages and fuel. This sets us on a path to get the Federal Government eventually out of subsidizing wages. want to emphasize that, while we propose to eliminate operating assistance as a program category for the larger cities, we are redirecting those funds to long-term capital investment, not striking them from the budget.

Regarding our highway safety efforts, one outstanding transportation accomplishment of the last decade has been the steady decline in the fatality rate on the Nation's highways. We estimate that the rate for 1990 fell below 2.1 deaths per hundred million vehicle miles travelled—40 percent lower than the rate in 1980. This decline in the fatality rate results from safer roads, safer cars, and safer driving behavior. Such progress reflects the growth of public sentiment against drunk driving, led by activist groups such as Mothers Against Drunk Driving (MADD) and Remove Intoxicated Drivers (RID). Such citizen activist groups have created an environment favorable to the enactment and vigorous enforcement of new State traffic safety laws.

The highway safety reauthorization proposal starts from the premise that the existing section 402 State and Community Highway Safety Program, administered by the National Highway Traffic Safety Administration (NHTSA), is fundamentally sound. It is the cornerstone of our support for national highway safety efforts. We propose to build on existing alcohol incentive programs to provide additional 402 bonus funds to States that adopt key safety measures. Bonus funds will come from annual $25 million set-asides in each of NHTSA and FHWA's 402 programs as well as $25 million specifically authorized each year for alcohol safety. In addition, funds will be set aside from FHWA's Urban and Rural Program, starting at $5 million in fiscal year 1992, $55 million in fiscal year 1993, then rising $25 million per year until it reaches $130 million in fiscal year 1996.

These bonuses would encourage proven drunk driving measures such as prompt license suspension and mandatory sentencing for repeat offenders. It also would promote other high-priority programs such as those for increased safety belt use, public campaigns directed at high risk driving behavior, emergency medical services, and pedestrian safety. The concept for such incentive bonuses resulted from recommendations made during this Department's National Traffic Safety Summit held in Chicago last April.

Funds set aside from the Urban and Rural Program would be provided to the States for safety or for any other eligible transit or highway project. We believe this approach will increase the involvement of the highway and transit industries in urging improved safety programs at the State and local level.

The bill also places renewed focus on the highway safety research and demonstration program, with a special emphasis on technological improvements such as IVHS, as I discussed above. The enlarged research and demonstration program and the augmented State and community highway safety program will help the safety momentum of the 1980's continue through the 1990's and into the next century. In addition, we are proposing a significant restructuring of the transit planning and research program in parallel with that of the highway program. Some $90 million would be authorized annually with one-third at the National level and two-thirds at the State and local level for a variety of planning and research activities.

Finally we also recognize that the competitiveness of the U.S. economy in the global marketplace is linked to the efficiency of our transportation system. Our proposal would eliminate a cost burden on interstate commerce which we estimate at some $4 to $6 billion per year. States would be prohibited from interfering with the nonsafety-related business operations of interstate motor carriers. They also would have to make their administrative requirements over interstate carriers more uniform for both collection of fuel taxes and for registration of trucks. This latter requirement would simply implement the consensus agenda developed several years ago by the National Governors' Association.

Mr. Chairman, I believe we have presented you with a good bill. Many experts and advisers in both the public and private sectors have assisted us in developing it. The proposal is, as a result, balanced, comprehensive, and tailored to the diverse needs of a growing America. I look forward to working with you and the other members of the Committee to enact comprehensive reauthorization legislation this year.

This completes my prepared remarks. Mr. McCormick and I will be happy to answer any questions you may have.

RESPONSES TO QUESTIONS FROM SENATOR BURDICK

QUESTION. The Congressional Budget Office testified today that:

> The Administration budget proposes no increase in program levels for highways in real (inflation-adjusted) terms until fiscal year 1996, but continues to build on the increase already enacted for the current fiscal year.

Your written testimony, however, states:

> We are proposing a dramatic increase in Federal funding for surface transportation programs for fiscal years 1992 through 1996: highway programs would increase 39 percent from fiscal year 1991 to the last year of the STAA, 1996. . .

Please comment on the above statement from CBO. Are DOT's estimates based on real (inflation-adjusted) dollars?

ANSWER. The 39 percent increase cited in my testimony represents the increase in budget authority in current-year dollars for the Federal Highway Administration from fiscal year 1991 to fiscal year 1996. Our proposed levels of Highway Account budget authority exceed the CBO baseline by a total of $9.3 billion, that is, they represent 11.7 percent of real growth. CBO agrees that we have proposed "significantly increased levels of budget authority for Federal-aid highways—greater than assumed in the baseline."

CBO's conclusion that we are proposing no real growth in program levels for highways until 1996 is based, at least in part, on an estimated program level in the current fiscal year that is different than the estimate in the President's fiscal year 1992 Budget, which we believe is still accurate. We understand that CBO estimates obligations for Minimum Allocation in fiscal year 1991 that exceed the estimate in the President's Budget by $600 million. Minimum Allocation obligations are not subject to the Federal-aid obligation ceiling, and thus an increase in estimated Minimum Allocation obligations directly increases total Highway Account obligations. Under our estimate, that $600 million in Minimum Allocation contract authority will be obligated during fiscal years 1992 through 1994, i.e., during the reauthorization period. By increasing the estimated obligations for fiscal year 1991, CBO decreases the total program level for the reauthorization period under our proposal.

With our estimate for Minimum Allocation obligations in fiscal year 1991 and using the year-to-year percent changes in total obligations in Table 1 of CBO's testimony, we conclude that obligations under our proposal for fiscal years 1992 through 1996 exceed this baseline by $1.9 billion, as compared to CBO's estimate that they fall short of the CBO baseline by $1.4 billion.

With respect to Minimum Allocation, we believe that the major increase in the Federal-aid obligation ceiling in fiscal year 1991 compared to fiscal year 1990 (an increase of $2.3 billion) will result in a reduction of Minimum Allocation obligations in fiscal year 1991 from the level of fiscal year 1990. This assumption recognizes that States lose obligation ceiling if they do not use it in the year it is apportioned, but Minimum Allocation contract authority carries over and can be used in later years without regard to the obligation ceiling in those years. That is, Minimum Allocation can be "banked" for several years and used when the obligation ceiling is less than a State needs to advance planned highway projects. In our judgment, the month-by-month obligation pattern for Minimum Allocation this fiscal year supports our estimate.

It is true that obligations, not budget authority, directly affect spending as CBO notes, but the levels of budget authority are important to the States. Our proposal, compared to the "baseline," will give States greater flexibility in the use of their obligation authority and will provide a greater cushion against late enactment of reauthorization legislation at the end of fiscal year 1996. For the first half of fiscal year 1987, that cushion of unobligated contract authority is what permitted the States to continue their federally assisted highway construction programs.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

QUESTION. Mr. Secretary, I ask that you fully inform me of any provisions in the Administration Highway Proposal relating to the commercial development of highway rest areas.

If such a provision is included in the Administration Proposal, have you examined its probable effects on local small businesses?

If commercial developments are allowed at rest stops, what sort of small business protection device—if any—would the Administration advocate?

ANSWER. The Administration Proposal would revise Title 23 to allow any State, at its option, to enter into lease agreements with private businesses to provide food and fuel services to motorists at existing or proposed National Highway System/Interstate rest areas. Fair market value payment to the State for the lease would be required and a certain portion of the net income to the State would have to be spent for National Highway Program projects. Current provision for vending machines at rest areas and their preferred operation by the Randolph-Sheppard Act agencies would remain unchanged.

We have not examined probable effects on local or small businesses nor have we proposed any protection devices for them at this time. The Administration Proposal does not require any State to commercialize any of its rest areas. It leaves it up to each State to determine whether, based on its needs, legal requirements, and impacts, it is in its interest to allow commercialization of its rest areas in accordance with the provisions of the Administration Proposal.

We anticipate that the impact will vary depending on the situation. We believe that in many instances the commercialization of rest areas will enhance opportunities for 'the local small businesses. On the other hand, at a poorly selected site, where a rest area would duplicate existing, close-by services, the impacts could be negative, not only to existing local business but to the viability of the commercial rest area as well. Therefore, the selection of rest areas to commercialize should be made carefully with the cooperation of local government officials and business associations and with consideration of impacts on small businesses. Emphasis should be on offering job and business opportunities, not unfair competition, with benefits to all parties.

RESPONSES TO QUESTIONS FROM SENATOR REID

QUESTION. Under your plan, what is the matching requirement for Federal Lands Highways?

In recognition of the special needs of States like Nevada—low density, high Federal ownership—you included a low density factor in the apportionment formula. I am glad to see the Administration recognizes the importance of these factors. Will you please tell me which States will benefit from this adjustment and how much they will receive?

The Budget Agreement aside, could the Trust Fund sustain a $20 billion program in fiscal year 1992 and thereafter?

ANSWER. Under the Administration's proposal (H.R. 1351), the Federal share payable for any project financed with Federal Lands Highways funds would be 100 percent. Thus, there would be no State matching requirement for Federal Lands Highways.

Ten States would receive a low density supplement to their National Highway Program apportionments. The 10 States and the amount of the density supplements they would receive in fiscal year 1992 are as follows:

State	Density supplement (in millions)
Alaska	$35.000 (maximum)
Idaho	24.183
Montana	35.000 (maximum)
Nebraska	24.216
Nevada	28.076
New Mexico	34.055
North Dakota	26.091
South Dakota	26.162
Utah	19.913
Wyoming	27.651

Under revenue assumptions in the President's Budget, the Highway Account could sustain a $20 billion authorization and obligation level starting in fiscal year 1992 for three years, after which the program would have to be reduced to the level equal to tax receipts. Total income to the Highway Account over the five-year reauthorization period would be insufficient to finance an authorization level of this size beyond fiscal year 1994. The assumption in deriving this is that the 2½ cents added by the Budget agreement would, as currently required, expire in 1995.

RESPONSES TO QUESTIONS FROM SENATOR GRAHAM

QUESTION. Transportation policy in the United States is clearly affected by the National energy policy submitted by Secretary Watkins and President Bush. Likewise, our transportation policy has a major impact on energy. For those who doubt the significant linkage between transportation and energy need only remember that transportation uses 60 percent of all petroleum consumed in the U.S. Because of the need for a strong coordinated program, I would like to explore the nexus, as you see it, between energy and transportation policies.

What do you see as the major areas of coordination?

ANSWER. Transportation policy and energy policy are tightly interwoven. As consumers of energy, the transportation sectors are almost totally dependent on petroleum fuels. Of total petroleum use in the U.S. for all purposes, some 63 percent is for transportation. Transportation is also part of the Nation's energy distribution infrastructure. The freight transportation sectors have important roles as transporters of energy, and they are heavily dependent on future levels and patterns of production and consumption of coal, oil, natural gas and other fuels, as generators of transportation demand and revenue.

As the predominant consumer of petroleum fuels in the U.S. economy, transportation must play a major role in solving the energy security and environmental problems attendant on the use of petroleum. Solving these problems while retaining the high level of mobility essential to our economy and way of life will demand coordinated innovation and effort in both transportation policy and energy policy.

Major areas of coordination in the Department of Transportation's participation in development of the National Energy Strategy over the past year, were on the issues of automobile fuel economy or CAFE policy, energy taxes, encouraging mass transit and ridesharing, alternative fuels, and transportation-related environmental issues.

QUESTION. Do you see the need to set specific goals and standards for reducing energy use in transportation?

ANSWER. The Administrative's National Energy Strategy reflects a national commitment to greater efficiency in every element of energy production and use. Specific numerical mandates, however, would impose burdens without necessarily promoting the achievement of that goal. The automotive fuel economy standards that would be set by S. 279, for instance, would seriously limit the market choice of the American consumer, would place severe burdens on all automotive manufacturers, and, by necessitating vehicle downsizing, present a safety hazard to the American motorist. The cost of those consequences would far outweigh the rather modest petroleum saving the standards could achieve.

The Department has commissioned a study by the National Academy of Sciences to examine the prospects for improving automotive fuel economy through technological improvement or other measures not entailing insupportable consequences. After reviewing the study results later this year, we will be in a better position to discuss what levels of fuel economy are feasible.

QUESTION. What is the Federal Government doing to serve as role model in the efficient use of energy in transportation, through purchase of energy efficient vehicles and other measures?

ANSWER. The Energy Policy and Conservation Act requires that a fleet average fuel economy level be established annually for all passenger automobiles acquired by all executive agencies. The Department of Transportation meets the Federal fleet fuel economy standards by acquiring vehicles from the General Services Administration (GSA) Interagency Fleet Management System and leasing through GSA's special executive lease program or other established Federal supply contracts.

In accordance with the Alternative Motor Fuels Act of 1988, the Department of Energy has plans to purchase, through the GSA, 700 flexible fueled passenger cars and 800 dedicated compressed natural gas (CNG) light trucks. The passenger cars will be operated on methanol and ethanol fuel blends (M-85 and E-85), with some of the cars operated on gasoline as control vehicles. These purchases will occur during the period of 1991 through 1995. This program will provide for demonstration and test of the performance and cost characteristics of these alternative fuel vehicles. The Department of Transportation has requested to be a major participant in this program, and recently acquired, through GSA, one of the initial five alternative fueled vehicles purchased by GSA.

QUESTION. Would the Administration support the provision in the energy bill of Senator Johnston and Senator Wallop that would tax autos over the CAFE standard and apply the money to old car scrappage programs, such as the INOCAL/California Energy Commission program in California?

ANSWER. The National Energy Strategy encourages State programs for old car scrappage as effective ways to remove the least efficient and most polluting cars from the road. Scrappage programs are particularly effective in the near term as means to reduce pollution in nonattainment areas. We believe it would be inappropriate for these programs to be federally funded. It would be particularly inadvisable to tie such funding to the proceeds from the Energy Conservation Fee provided for in the Johnston Wallop bill, since the amount of such funds is uncertain and funding would become available only after 1996. This would discourage States from instituting scrappage programs earlier and thus prevent achievement of near term benefits.

QUESTION. All of the testimony provided today explains that although Congress increased revenue into the Highway Trust Fund by increasing the motor fuels tax, spending increases are constrained by the discretionary programs cap. I would like to hear your thoughts and suggestions on taking the Highway Trust Fund off budget?

ANSWER. We do not support taking the Highway Trust Fund out of the unified budget. We believe keeping government receipts and expenditures in one unified budget is important for providing an accurate picture of the budget and for maintaining control of Federal spending. Under the terms of the Gramm-Rudman-Hollings Act, all receipts and expenditures of the Federal Government must be included in the calculation of the Federal deficit. This does not mean, however, that expenditures for highways will not increase. Fiscal year 1991 saw a record obligation limitation of $14.5 billion, and the President's Budget contains increases every year until 1996 when the limitation will reach $20 billion.

QUESTION. The Administration has proposed authorizing the use of toll financing and set the maximum Federal share for toll projects at 35 percent.

What is the Administration's rationale for setting the maximum so low?

ANSWER. The need to stimulate private sector investment in toll roads is one of the elements of Secretary Skinner's National Transportation Policy. Accordingly, Federal policy on toll roads and bridges are an important aspect of the proposed Surface Transportation Assistance Act of 1991. Federal-aid funds may be used for existing toll roads, new toll roads, and to reconstruct and/or change the character of certain facilities. Significantly, under the proposal, tolls may be continued after the debt is retired but excess revenues must be used for Title 23 purposes. Requests for discretionary bridge funds must include an assessment of constructing a toll bridge.

With respect to the 35-percent ratio, it was selected because it reaches a balance between two competing, yet valid objectives. If the Federal matching ratio is set too low, the toll policy will not be attractive to the States; if the Federal matching ratio is set too high, less leveraging of Federal-aid highway funds is possible, resulting in fewer toll projects. Further, our proposal builds upon existing law in the selection of the matching ratio. The Toll Road Pilot Project, authorized by section 120 of the 1987 Highway Act, provided a 35-percent Federal match.

Question. Can you expand on the toll financing provisions of the Administration's toll financing provisions particularly in the areas where it has been prohibited and the exemptions that have been proposed for bridges and tunnels?

Answer. Federal funds (National Highway, Urban and Rural, Bridge, and Territorial) may be used without restriction to construct new toll roads and to reconstruct and rehabilitate existing toll roads. Also, these funds may be used to convert free roads to toll roads with the restriction that the road must not be on the Interstate System and that the conversion must include both added lanes and full access control. The Federal match for these projects is up to 35 percent.

Federal funds may also be used in combination with tolls to construct bridges or tunnels and their approaches or to reconstruct or replace any existing free or toll bridge and tunnel. Unlike roads, free bridges and tunnels may be converted to toll facilities without the addition of lanes or full access control. As under current law for bridge and tunnel projects, if a State is using Federal funds on the facility for the first time, it would have the option of using the Federal match based on the program funds being used, e.g., 75 percent for National Highway Program funds, on the condition that tolls would be removed after debt payment. However, if Federal funds were previously used on the bridge or tunnel, then the Federal share for the reconstruction or replacement would be limited to a maximum of 35 percent. If the State wants to continue tolls, the improvements would have to be made with the maximum 35-percent Federal share.

Question. What criteria would you suggest to the States for determining when a toll project is financially feasible?

Answer. We would encourage the States to consider toll financing as an option available to them to help them meet the need for increased highway revenues at a time of scarce resources. While the feasibility of any specific project would be the States determination, the basic feasibility of any toll project should be enhanced by the proposed 35 percent participation of Federal funds. The financial feasibility of toll project financing depends upon a mix of Federal, State, and private financing. Toll revenues, which are a function of traffic volumes and toll rates, must be sufficient to meet the private financing portion of the mix.

Question. GAO's testimony explains that the Department of Transportation's separate modal needs studies for highways, bridges, and mass transit precludes effective ranking of intermodal needs and the development of an integrated transportation strategy.

What institutional changes need to be made at all levels of government and in all branches of government to move us in the direction of intermodal policy-making and policy implementation?

Answer. The Administration's proposed STAA strives to make the highway program and the transit programs more parallel in several regards. First, the section 9 and the Urban and Rural Programs both have a 60/40 match and can be used for both transit and highway projects, with the same definitions of eligibility. Second, there will be a joint Metropolitan and Rural Incentive Bonus Project Program which will be a discretionary allocation of obligation limitation in FHWA and an eligible activity under section 3 in UMTA, with uniform requirements. The Federal share will be 60/40 for both FHWA and UMTA funds. Third, both FHWA and UMTA have national, cooperative and State and local planning and research program elements. The FHWA Urbanized Area Planning Program and UMTA State and Local Planning and Research Program will use the same formulas, matching ratios (75/25), primary grantees, the States, and mandatory pass through to the MPOs. In addition the UMTA and FHWA planning requirements will be the same. We believe these measures will aid the States and local governments in making decisions about their transportation programs that will be based on the merit of the projects, regardless of mode.

Intermodalism has another dimension and that is intermodal connectivity; with good intermodal connectivity, the best of various modes can be effectively utilized. The highway-transit transfers are effectively addressed. Some deficiencies presently exist in highway-rail, highway-port and highway-airport connections. Emphasis is placed on these interstate and international commerce areas in the National Highway Systems definition and the urban planning proposed statutes.

However, we do believe that the transportation system would benefit from a more explicitly intermodal overview. As part of the second phase of Secretary Skinner's National Transportation Policy Statement, a working group has been established to examine and make recommendations on Improved Intermodal Areas and Coordination. The recommendations of that working group will address institutional and policy issues.

Question. *High Speed Rail and MAGLEV.*—The Administration's budget proposes research in the development of safety standards for high speed rail and the evaluation of the role of maglev in the future. The Administration's bill includes authority for the States to make rights-of-way of the National Highway System available for use without charge to privately owned high speed ground transportation or magnetic levitation transit systems.

These are steps in the right direction, but we also need to be encouraging highway planners to include the unique needs of high speed rail and maglev systems in their planning. Not all of the current right-of-way in the Interstate system meet the needs of these systems for they cannot safely operate when grades are too steep or there are too many curves.

How can we ensure that planners will take into consideration these needs when they plan future corridors?

Answer. Section 115 of the Federal-aid Highway reauthorization legislation, entitled, *Statewide Transportation Planning and Research Program*, stipulates that ". . . the Secretary shall cooperate with the States in carrying out Statewide transportation planning. . ." This same section indicates that this planning ". . . shall promote the coordination of various transportation modes . . ." We believe that this provision coupled with the provision that permits States to make rights-of-way of National Highway system routes available for use for high speed rail or maglev will provide the incentive for States to consider such systems in their planning efforts. As an example, we would cite the interest that the States have shown in studying high speed rail as part of the "1-66 Feasibility Study" that we have undertaken at the behest of Congress. The study will examine a transcontinental transportation facility between 1-40 and 1-70. The Steering Committee for that study, consisting of State and FHWA representatives, has initiated the development of a scope of work that will ensure a multimodal study with due consideration of evolving technologies. As indicated by one State representative, this study could be the prototype for feasibility studies for transportation corridors for the 21st century.

Question. Another issue of safety that hampers the development of high speed rail and maglev systems is the issue of separating rail crossings from the roadway. These systems, which can provide an alternative to air and vehicle travel and relieve the congestion in our air space, airports, and on our highways, need support from the Federal Government. What role do you see for the Federal Government in providing grade separations?

Answer. The Administration's bill gives a State considerable flexibility in using its Federal highway dollars to accommodate high speed rail or maglev systems. Highway adjustments to accommodate high speed rail and maglev will potentially be eligible for National Highway Program (NHP) funding. In addition, the bill permits the use of right-of-way without charge by a privately-owned high speed ground transportation or magnetic levitation transit system. Further, both Urban and Rural Program and NHP funds will be eligible for safety improvements at rail-highway crossings which can include elimination by grade separation.

Question. *Minimum Allocation.*—The President's proposal does not include the minimum allocation program. Please submit an analysis of how each of the MA States will be impacted under the President's proposal.

Answer. The legislative proposal rewrites Title 23 and does not continue the Minimum Allocation provision because we believe that with the apportionment formulas and authorization levels we have proposed virtually all States will receive a percentage of the major Federal-aid programs (NHP, URP, and Bridge) essentially equal to at least 85 percent of their percentage share of Highway Trust Fund contributions. The attached table R-80-10BB-M includes the analysis under the Administration's proposal. The cost of MA and the number of States would increase if the Interstate Construction and Interstate transfer programs were included in the calculation. As a point of reference, the fiscal year 1991 actual apportionments and minimum allocations are included in the attached Table T-1991.

Table T–1991.—Estimated Apportionments For Fiscal Year 1991 for the Federal-Aid Highway Program Under P.L. 100–17

(Dollars in thousands)

State	Interstate construction	I–4R	Primary	Secondary	Urban	Bridge	Hazard elim.	RR hwy. xings	Int. hwy. transfer	Urban plng.	Total apport.	85% min. alloc.	Grand total
Alabama	67,881	48,243	40,961	11,990	9,412	28,966	2,988	3,221	0	563	214,225	0	214,225
Alaska	13,771	20,212	74,472	32,087	3,636	3,409	828	2,439	0	235	151,089	0	151,089
Arizona	13,771	55,420	31,060	9,708	9,393	3,409	2,026	1,576	0	611	126,974	37,500	164,474
Arkansas	13,771	27,011	29,028	10,849	4,439	17,879	2,003	2,458	0	235	107,673	30,351	138,024
California	339,475	249,040	166,632	24,343	92,082	44,388	14,161	10,182	20,092	6,310	966,705	81,354	1,048,059
Colorado	47,826	47,380	33,965	10,831	9,746	12,747	2,327	2,204	0	644	167,670	0	167,670
Connecticut	108,276	32,157	25,171	4,046	10,435	68,881	1,842	1,048	92,923	739	345,518	0	345,518
Delaware	13,771	12,647	11,272	2,909	3,636	3,893	828	506	0	235	49,697	0	49,697
Dist. of Col.	39,037	12,647	11,272	0	3,636	9,505	828	211	14,911	235	92,282	0	92,282
Florida	94,890	93,651	76,058	15,213	34,691	24,028	6,249	4,688	0	2,371	351,839	145,969	497,808
Georgia	52,423	89,600	55,297	15,724	13,836	26,846	3,995	4,696	10,330	831	273,578	101,317	374,895
Hawaii	63,879	12,647	11,272	2,909	3,636	3,685	828	393	0	235	99,484	0	99,484
Idaho	13,771	22,669	18,337	7,228	3,636	3,409	1,132	1,430	0	235	71,847	0	71,847
Illinois	13,771	88,227	89,498	16,580	39,904	39,428	7,423	7,927	15,755	2,647	321,160	0	321,160
Indiana	13,771	55,780	52,389	13,614	14,452	22,832	3,841	4,962	4,284	830	186,755	78,544	265,299
Iowa	13,771	36,527	34,176	12,205	6,614	25,053	2,700	3,795	7,399	297	142,537	0	142,537
Kansas	13,771	36,835	32,086	11,470	6,183	24,796	2,624	4,870	0	273	132,908	0	132,908
Kentucky	25,080	44,131	39,387	11,992	7,396	27,181	2,649	2,535	0	393	160,744	2,268	163,012
Louisiana	72,716	43,039	38,701	9,718	11,792	27,967	2,820	3,176	0	703	210,6[illegible]	0	210,632
Maine	13,771	12,647	14,377	5,062	3,636	8,365	828	939	0	235	59[illegible]	0	59,860
Maryland	87,268	42,109	33,865	5,763	14,306	16,823	2,515	1,428	37,497	1,003	24[illegible]	0	242,577
Massachusetts	750,672	34,281	44,457	6,039	20,276	77,164	3,370	2,011	6,885	1,419	946,664	0	946,664
Michigan	31,273	83,682	82,341	17,323	27,419	30,042	6,098	5,352	0	1,845	285,375	35,538	320,913
Minnesota	15,577	48,634	43,280	14,299	10,996	17,128	3,488	4,042	0	656	158,100	0	158,100
Mississippi	13,771	30,711	31,617	10,598	4,637	19,278	2,076	2,240	0	235	115,163	25,094	140,257
Missouri	13,771	70,859	51,430	15,542	13,610	53,739	3,832	3,998	0	836	227,617	25,057	254,674
Montana	13,771	40,606	25,912	10,658	3,636	7,064	1,153	1,614	0	235	104,649	0	104,649
Nebraska	13,771	21,119	24,568	9,082	4,003	16,960	1,784	2,662	0	235	94,184	0	94,184
Nevada	13,771	22,605	18,805	7,050	3,636	3,409	886	785	0	235	71,182	0	71,182
New Hampshire	13,771	12,647	11,272	2,909	3,636	7,594	828	614	0	235	53,506	0	53,506
New Jersey	138,548	31,884	53,290	5,353	27,930	61,153	4,232	2,691	34,230	2,008	361,319	0	361,319
New Mexico	13,771	41,513	25,602	9,606	3,824	4,413	1,254	1,207	0	235	101,425	0	101,425
New York	13,771	87,787	134,318	17,639	62,930	136,344	10,392	6,021	192,596	4,402	666,200	0	666,200

Table T-1991.—Estimated Apportionments For Fiscal Year 1991 for the Federal-Aid Highway Program Under P.L. 100-17—Continued

(Dollars in thousands)

State	Interstate construction	I-4R	Primary	Secondary	Urban	Bridge	Hazard elim.	RR hwy. xings	Int. hwy. transfer	Urban plng.	Total apport.	85% min. alloc.	Grand total
North Carolina	44,111	47,640	64,509	18,178	11,266	27,500	4,072	3,981	0	639	221,896	99,269	321,165
North Dakota	13,771	19,918	17,041	6,897	3,636	4,926	1,238	2,809	0	235	70,471	0	70,471
Ohio	45,301	100,496	93,516	18,479	33,210	41,726	6,859	6,301	8,275	2,087	356,250	71,201	427,451
Oklahoma	13,771	35,111	33,836	11,452	8,092	29,138	2,749	3,301	0	404	137,854	41,422	179,276
Oregon	27,629	38,233	29,614	9,962	7,231	7,903	2,375	2,194	5,987	405	131,533	13,565	145,098
Pennsylvania	126,092	63,400	107,452	22,011	34,125	122,903	7,450	5,804	59	2,288	491,584	0	491,584
Rhode Island	13,771	12,647	11,272	2,909	3,636	3,409	828	446	64,772	252	113,942	0	113,942
South Carolina	13,771	42,789	32,848	9,366	6,679	10,593	2,308	2,585	0	380	121,319	28,032	149,351
South Dakota	13,771	24,484	18,345	7,522	3,636	6,507	1,136	1,655	0	235	77,291	0	77,291
Tennessee	13,771	64,693	47,429	13,692	11,367	34,758	3,288	3,267	24,852	666	217,783	1,742	219,525
Texas	93,509	189,899	131,840	36,755	46,968	51,647	10,656	10,907	0	2,913	575,094	196,747	771,841
Utah	13,771	40,667	19,531	6,429	5,112	3,409	1,214	1,153	0	335	91,621	0	91,621
Vermont	13,771	12,740	11,272	2,909	3,636	7,627	828	619	0	235	53,637	0	53,637
Virginia	19,173	72,305	49,711	13,098	14,733	30,635	3,512	3,731	0	972	206,870	59,940	266,810
Washington	64,189	55,489	39,498	10,119	12,597	33,849	3,019	2,717	0	837	222,314	0	222,314
West Virginia	13,771	20,766	23,631	7,434	3,636	37,858	1,384	1,708	0	235	110,423	0	110,423
Wisconsin	13,771	34,515	47,332	13,294	12,244	23,312	3,615	3,928	0	746	152,757	58,075	210,832
Wyoming	13,771	32,080	17,148	6,999	3,636	3,409	828	913	0	235	79,019	0	79,019
Puerto Rico	0	12,647	29,872	3,926	8,731	4,548	1,819	740	0	549	62,832	0	62,832
Total	2,754,274	2,529,466	2,291,865	281,770	727,201	1,363,435	164,006	155,680	540,847	47,084	11,155,628	1,134,984	12,290,613

Table R-80-10BB-M.—Calculation of the Percent Needed to Meet 85% Minimum Allocation Based on Proposed National Highway, Urban/Rural, and Bridge Programs; January Apportionment Factors

(Dollars in thousands)

State	Proposed prog. percent	85% min. factors	% needed to meet 85% min. alloc.	$ needed to meet 85% min. alloc.
Alabama	1.887	1.679		
Alaska	1.906	0.177		
Arizona	1.461	1.332		
Arkansas	1.362	1.237		
California	8.676	8.938	0.262	33,059
Colorado	1.447	1.034		
Connecticut	1.139	1.014		
Delaware	0.458	0.258		
Dist. of Columbia	0.570	0.127		
Florida	4.106	4.081		
Georgia	2.894	3.139	0.245	30,889
Hawaii	0.566	0.205		
Idaho	0.877	0.372		
Illinois	3.500	3.172		
Indiana	2.133	2.167	0.034	4,272
Iowa	1.483	1.078		
Kansas	1.630	1.095		
Kentucky	1.573	1.521		
Louisiana	1.826	1.575		
Maine	0.597	0.504		
Maryland	1.528	1.542	0.013	1,700
Massachusetts	1.885	1.679		
Michigan	2.865	2.753		
Minnesota	1.754	1.459		
Mississippi	1.313	1.148		
Missouri	2.504	2.191		
Montana	1.114	0.407		
Nebraska	1.203	0.622		
Nevada	0.971	0.466		
New Hampshire	0.495	0.346		
New Jersey	2.606	2.510		
New Mexico	1.217	0.698		
New York	4.709	3.879		
North Carolina	2.642	2.645	0.003	385
North Dakota	0.868	0.302		
Ohio	3.620	3.476		
Oklahoma	1.638	1.451		
Oregon	1.449	1.174		
Pennsylvania	4.048	3.857		
Rhode Island	0.458	0.258		
South Carolina	1.441	1.239		
South Dakota	0.896	0.321		
Tennessee	2.022	1.996		
Texas	7.152	6.293		
Utah	0.931	0.626		
Vermont	0.473	0.214		
Virginia	2.235	2.321	0.085	10,771
Washington	1.838	1.582		
West Virginia	0.891	0.721		
Wisconsin	1.804	1.707		
Wyoming	0.853	0.416		
Puerto Rico	0.484	0.000		
Total	100.000	85.000		81,075

RESPONSES TO QUESTIONS FROM SENATOR LIEBERMAN

QUESTION. With respect to the National system of highways, the Administration's proposal provides for a Federal-State ratio of 90/10 funding for Interstate roads and 75/25 for other roads within the National system.

All transit funding is at the ratio of 60/40.

I am concerned that the Administration's program virtually freezes mass transit spending for the five years it covers at a time when one of our top national priorities should be conserving energy. In addition to freezing funds, the Administration's proposal requires that States invest a much larger portion of their own funds to pay for mass transit than to pay for the proposed national system of highways (40 percent rather than 10 or 25 percent). I am concerned that these different match levels will skew State investment decisions.

Why shouldn't the Federal share of funding for transit be comparable to the Federal share available for major highway facilities?

ANSWER. The proposed Federal share for the National Highway Program was determined by considering the importance of the system to national goals such as interstate and interregional movement juxtaposed with the aim of increasing overall investment in the system by all units of government and the private sector. The resulting shares ranging from 75 to 90 percent represent a good balance between those two goals and are not a radical departure from current Federal shares.

The determination of the Federal share for the Urban/Rural Program and for the transit program was arrived at through a similar process. The lower Federal share of 60/40 for both highways and transit reflects the desire of the Administration to encourage strong local financial commitment in improvements, especially where there is a compelling local interest that would increase the likelihood that the project would go forward on its own merit.

QUESTION. The Administration's proposal allows for some flexibility between transportation modes under its urban/rural category but does not allow this same flexibility under the National Highway Program.

In order for States and localities to deal with urban transportation problems, including congestion, air quality and energy consumption, it is critical that the new legislation allow flexibility of funds between transportation modes. The Administration has begun that effort by allowing flexibility for funds in its proposed urban/rural category.

But why is the flexibility between transportation modes limited to the Urban/Rural Program? Why does funding flexibility not extend to other funds which are available for the National Highway System under the Administration's proposal?

ANSWER. The Administration's National Transportation Policy stated that the Federal Government should concentrate more of its transportation resources on facilities that are of national significance. Thus, our proposal targets resources on a defined National Highway System that serves major population centers, ports, airports, and international border crossings; meets national defense requirements; and serves interstate and interregional travel. The National Highway Program (NHP) was structured to achieve these objectives. This could not be assured if complete flexibility to use the funds for mass transportation projects, which serve primarily local or regional travel, were allowed.

However, there is considerable flexibility provided under the NHP. Funds for this program can be used without limitation for intermodal type projects such as High Occupancy Vehicle Lanes, park and ride facilities and to make modifications to existing facilities in order to accommodate other modes (as long as the modifications do not adversely affect highway use of the facility). Also, the States can transfer up to 15 percent of their NHP funds to the Urban/Rural Program, where the funds would be eligible for transit projects.

QUESTION. States and local governments already pay the lion's share of surface transportation costs—$4 out of every $5 spent, and are responsible for several million miles of roads that receive no Federal aid according to Kentucky Governor Wallace Wilkinson, chairman of the National Governor's Committee on Transportation. Yet the Administration's proposal shifts added costs to the States under the "urban-rural" system.

This shifting of the burden from the Federal to the State level will hit the States hard, particularly given the effect of a recession on our economy and the ongoing shift of Federal resources out of other critical areas.

I am concerned about expecting States which are now experiencing the brunt of the recession to shoulder additional economic burdens. Is there negotiating room with the Administration on this issue?

ANSWER. The Department feels strongly that the Federal shares proposed in the Surface Transportation Assistance Act are key elements in increasing the total resources devoted to improving the transportation system and to ensuring the soundness of transportation investment decisions. While we are sensitive to the States' current economic concerns, transportation is simply too important to ensuring sustained, long-term national economic health to back off from our proposals for more investment at all levels of government.

RESPONSES TO QUESTIONS FROM SENATOR METZENBAUM

QUESTION. The apportionment numbers you sent to the hill with your bill on February 13, are incredibly misleading. Your chart shows that the highway program will increase by $3.3 billion between 1991 and 1992 if your bill is enacted. But figures put out by the Federal Highway Administration show the increase will only be $0.3 billion.

When will we be able to get some reliable figures on your bill, particularly, the factors that go into the calculation for determining each State's share?

ANSWER. We had no intention of being misleading. The February 13 table showed the fiscal year 1991 apportionments for all Federal-aid highway programs except Interstate completion and Interstate highway transfer compared with the estimated fiscal year 1992 apportionments for the National Highway, Urban/Rural, and Bridge Programs which are the comparable programs for fiscal year 1992 in the Administration's proposed bill (S. 610).

The total of budget authority for the Federal-aid highway programs in fiscal year 1991 is $14.014 billion and our bill proposes $15.822 billion in fiscal year 1992, an increase of $1.8 billion. Total apportionments to the States for fiscal year 1991 are $12.291 billion while our bill proposes apportionments of $14.660 billion in fiscal year 1992, an increase of $2.37 billion.

RESPONSES TO QUESTIONS FROM SENATOR CHAFEE

QUESTION. Your bill eliminates highway safety construction categories that were funded at $340 million per year. Out of the Urban Rural Program you set aside a Safety Bonus Program funded at a total of $375 million over five years or an average of $75 million per year for safety projects.

In addition, States may spend up to five percent of their Urban Rural funds for highway safety improvements, and at least 10 percent of a State's total apportionment must be obligated for projects having "safety benefits."

Please list the type of projects that are eligible for the Safety Bonus Program, the five percent of the Urban Rural funds, and the 10 percent of a State's total apportionments. What assurance do you have that States will be willing to meet the criteria for the Safety Bonus Program or spend up to 5 percent of Urban Rural funds on highway safety improvements? Isn't this really a reduction in assured funding for safety projects?

ANSWER. *Safety Bonus Program Projects.*—The objective of the Safety Bonus Program is to augment the section 402 Highway Safety Program and build on the existing Sections 408 and 410 Alcohol safety programs. This Program will provide the States with incentives and increased flexibility to initiate proven crash and injury countermeasures to meet the conditions, needs and concerns within each State.

The basic Federal Highway Administration (FHWA) section 402 Highway-Related Safety Program currently funded at $10 million annually will continue to serve as the building blocks for safety construction and traffic operational improvements at the State and local levels.

These additional Safety Bonus Program funds may be used to fund section 402 type projects to improve safety data collection and programming systems, conduct special problem studies and analyses, provide training and technical guides, and purchase equipment to improve safety problem identification and countermeasure selection. In the process, interaction with vehicle and driver-related programs are improved, and needed emphasis is given to local problems such as traffic operations and pedestrians.

Safety Project Funding Level.—In fiscal year 1991, the Hazard Elimination Program was funded at $170 million and the Rail-Highway Crossings Program at $160 for a total of $330 million. In fiscal year 1992, section 202 will provide $1,339 million for safety improvements. This is a four-fold increase in safety funding over fiscal year 1991. Also in fiscal year 1992, the Safety Bonus Program will provide an additional $75 million or more for 402 activities.

The funding levels ($ million) for section 202 are:

Fiscal year	Section 202
1992	1,339
1993	1,365
1994	1,419
1995	1,560
1996	1,962

NOTE. There appears to be some confusion on the Safety Bonus Program. The $375 million over five years or $75 million per year mentioned in your question is for section 402 program activities. This $375 million is over and above the funds drawn down from the 402 Highway Safety Program and Alcohol Safety funds. Each year at least $75 million of the Safety Bonus Program funds must be spent on highway safety programs under section 402, of which a minimum of $25 million would be spent on Alcohol Programs. Bonus funds from the Urban/Rural Program may be spent on any Title 23 activity. All the bonus funds will be distributed annually to the qualifying States.

Sources of Safety Bonus Funds

Fiscal year	1992	1993	1994	1995	1996
Alcohol Safety	$25	$25	$25	$25	$25
NHTSA 402	25	25	25	25	25
FHWA 402	25	25	25	25	25
Urban/Rural	5	55	80	105	130
Total	$80	$130	$155	$180	$205

Section 104 Safety Projects.—Section 104 permits each State to use up to 5 percent of its annual URP apportionments for highway safety improvements and for eliminating rail-highway crossing hazards on public roads functionally classified as local or as a rural minor collector. Urban and Rural Program (URP) funds normally cannot be used on local or rural minor collector roads. Projects would include those currently funded under the Hazard Elimination and Rail Highway Crossing Programs. There is no cap on how much of its URP funds a State may use on highway safety improvements on public roads not classified as local or rural minor collectors.

Typical Hazard Elimination improvements are intersection improvements, modification of roadway cross sections, pavement skid treatment, alignment changes, replacement of existing sign and light supports, removal or shielding of roadside obstacles, upgrading of guardrail to current standards and widening narrow bridges. Typical Rail-Highway Crossing improvement are placing signs and markings at crossings, installing warning lights and gates, improving sight distance and eliminating abandoned or unused crossings.

Section 202 Safety Projects.—Section 202 requires that not less than 10 percent of the total of apportioned National Highway Program, Urban and Rural Program, and Bridge Funds must be used for projects that have safety benefits. These projects or portions of projects would include safety enhancements designed to eliminate or reduce highway hazards or crash severity. Projects could include those currently funded under the Hazard Elimination and Rail-Highway Crossings Programs.

Assurance for Meeting Criteria and Spending 5 Percent On Safety.—Reporting requirements will be implemented to permit the FHWA to monitor the use of these funds and where necessary to urge the States to increase the use of funds for safety.

The Safety Management System will assure the appropriate level of safety is built into all highway projects on the National Highway System. States will be encouraged to work for its implementation on all highways and develop a similar system for use by local jurisdictions. With the implementation of Safety Management Systems, there would be no need for separate categories of safety construction funds.

This would increase the States' decision-making flexibility and enable the States to apply their limited Federal-aid funds to their priority needs.

Question. Under the Urban [and] Rural Program, States would certify that Federal-aid projects met Federal environmental requirements. Please explain how this would work.

Answer. Under the Urban and Rural Program the State highway agencies will assume responsibility for complying with the National Environmental Policy Act (NEPA) and other Federal environmental requirements. This would be accomplished under regulations promulgated by the Secretary of DOT after consultation with the Council on Environmental Quality.

Each State must certify annually that it is complying with all Federal requirements. The Secretary must annually review and, if appropriate, approve the State certifications. If the FHWA determines that a State is not complying with NEPA or the provisions of other environmental statutes, the future payment of Federal grants under the program will cease until corrective action is taken.

This arrangement is similar to that established by Congress in the Housing and Community Development Act of 1974, as amended, which shifted substantial decisionmaking responsibility from the Federal Government to local communities receiving Federal grants.

Question. The Administration bill permits right-of-way that has been acquired in advance of the NEPA process to be an eligible item for Federal-aid funds. What safeguards have been provided in the process so that the purposes and requirements of NEPA are not compromised by this advanced acquisition? What assurance is there that this will not prejudice either a no-build decision or the choice of the transportation corridor?

Answer. The bill would allow Federal participation in the advance acquisition of rights-of-way for future use on projects under the National Highway Program. However, acquisition and eligibility of Federal funding can only occur if an environmental analysis complying with NEPA is completed. Thus, the acquisitions do not occur prior to NEPA compliance. We envision most advanced acquisition would be accomplished under the CEQ regulations covering tiered EISs.

Question. The Administration bill changes the definition of construction to allow enhancement and mitigation activities. Please list the enhancement and mitigation activities that would be eligible.

Answer. The eligible enhancement and mitigation activities under the definition of construction project may include a wide variety of measures depending upon local area environmental resource improvement objectives. In addition, the anticipated transportation improvements that will affect the area's environmental resources will also define the scope of mitigation and enhancement projects.

Mitigation and enhancement activities may include, but are not limited to, measures such as:

1. Wetland banks
2. Habitat preserves
3. Hazardous waste site identification
4. Parkland improvements
5. Contributions to area wetland and water quality planning efforts
6. Neighborhood/public safety facilities improvement
7. Stream rehabilitation projects
8. Public access to and educational appreciation of historic sites, natural points of interest, etc.
9. Contribution to area recreational facility improvement
10. Preservation of important archaeological sites

Question. In the past we have provided States with incentives to use asphalt containing recycled tires. We have a problem in this country with disposing of a growing number of used tires and this may be a way to solve this problem. Will you work with us in finding ways to encourage States to do this, and in evaluating the results of using this kind of asphalt?

Answer. The Federal Highway Administration is working with the State Highway Agencies and tire recycling industry to develop cost-effective uses. There are a number of issues which have not been adequately resolved and will require additional research. The major deterrent to expanding this technology has been the cost of the paving material. In general, paving materials which incorporate scrap tire rubber cost 50 to 100 percent more than conventional materials. Another unanswered question is how the use of scrap tire rubber will affect the ability to recycle asphalt pavement. If there is a problem, we may end up with an asphalt pavement waste problem as well as a tire waste problem.

We encourage the States to evaluate this evolving technology and determine those asphalt paving applications which can benefit both the environmental problem and demonstrate an efficient use of highway funds. We are continuing our research efforts in this area. A number of States are evaluating various types of applications and new concepts are emerging.

The tire recycling credit system proposed in the Senate and House (S. 396/H.R. 871) may contain the needed incentive to accelerate the development and offset the "environmental" cost. Using scrap tire rubber in asphalt paving applications has the potential to be a significant alternative use for scrap tires.

QUESTION. In rural areas many roads contribute to the rural or historical character of a community. Often if a community wants to repave a road they are told that Federal dollars cannot be used unless major changes are made to the road such as widening it or cutting down trees beside the road. This destroys the character of the community and often does environmental damage. Sometimes this is done in the name of safety. Will you work with us in developing alternate design requirements that meet the needs of these communities and that also provide a safe transportation facility?

ANSWER. Safety enhancement is an essential part of all Federal-aid highway projects. Various design standards developed over the years have been established to achieve such enhancements by providing safe and efficient highway facilities. It is FHWA's objective to meet desirable geometric standards and maximize highway safety at a reasonable cost. However, physical, geographical, environmental or social impacts sometimes dictate the use of minimum standards. Project-by-project design exceptions may be approved by the Federal Highway Administration when justified. In the case of Resurfacing, Restoration and Rehabilitation (3R) projects, standards less than those for new and reconstruction projects may be developed by individual States and used for non-freeway 3R projects. Many of the situations requiring design exceptions because of historic or scenic impacts are very site specific requiring unique solutions. We have found the project-by-project design exception process to work well in reaching compromises and solutions for preserving the environment or the local social fabric.

QUESTION. A large share of funds are apportioned in the Administration proposal by a gas usage factor. This would penalize States who implement strategies like transit, HOV lanes, and carpooling which reduce gas usage. This is contrary to a sound energy and clean air policy. How can we devise formulas that provide incentives to implement these alternative strategies, and that reward States for moving people and not vehicles.

ANSWER. We believe that the new Clean Air Act requirements and National Energy Strategy proposals will provide for transportation energy efficiency improvements, increased domestic production and use of alternative transportation fuels that should allow continued growth in travel, while reducing our dependence on insecure sources of imported petroleum.

The proposed STAA contains significant features that help achieve the transportation requirements of the Clean Air Act Amendments. Some of these provisions are:

—strengthening of the planning process, including a requirement that statewide transportation planning be carried out in coordination with the development of the transportation portion of the State Implementation Plan required by the Clean Air Act,

—a new requirement for Congestion Management Systems, I10—a 90% Federal share under the NHP for HOV lane and operational improvement projects on the Interstate System, I10—complete flexibility to use URP funds for transit, and

—up to 15 percent of NHP funds can be transferred to URP and become available for transit projects.

Our proposed apportionment formulas for the NHP and URP direct funds primarily on the basis of highway usage. Heavy use of a road system creates significant need. We do not propose to use vehicle miles traveled (VMT) per se as an apportionment factor because it is difficult to verify. As proxies, we propose to use a State's share of highway motor fuel use and its share of Highway Trust Fund contributions, which are "use" oriented. Employment of these factors is simply a more rational approach than the current system and the factors are reliable and verifiable.

QUESTION. What impact will the commercialization of Interstate System rest areas have on small businesses that now operate off Interstate interchanges.

ANSWER. We anticipate that the impact will vary depending on the situation. We believe that in some instances the commercialization of rest area will enhance opportunities for the local small businesses. On the other hand, at a poorly selected site, where a rest area would duplicate existing, close-by services, the impacts could be negative, not only to existing local business but to the viability of the commercial rest area as well. Therefore, the selection of rest areas to commercialize should be made carefully with the cooperation of local government officials and business associations and with consideration of impacts on small businesses. Emphasis should be on offering job and business opportunities, not unfair competition, with benefits to all parties.

QUESTION. The bill requires that the Congestion Management System in areas over 200,000 population be coordinated with the requirements of the Clean Air Act and that transportation improvement plans conform to State air quality implementation plans. How is this enforced? What are the consequences if this does not happen?

ANSWER. The requirements that the congestion management system address air quality considerations and that it be coordinated with the process for the development of the transportation element of the State Implementation Plan can be enforced through two possible mechanisms. The strengthening of the urban transportation planning processes in the larger urbanized areas should preclude the need to use these enforcement mechanisms. However, should they need to be used, the first would be implemented as a result of the Federal-aid Highway reauthorization requirement that "No highway project . . . that . . . significantly increases the vehicle carrying capacity of a transportation corridor shall be approved by the Secretary unless the project is consistent with the congestion management system." While the specific procedures for implementing this requirement will be worked out through the rulemaking process, a determining factor could be the degree to which air quality considerations have been addressed. The second mechanism for assuring this coordination would be the conformity determination provisions in the 1990 Clean Air Act Amendments. Under these provisions, we must make an affirmative determination that an area's transportation plan and improvement program conform to the State Implementation Plan.

While specific implementation procedures have not been worked out, it appears that the consequence of not being able to make either of these two affirmative determinations is that capacity enhancing projects will not be able to proceed. Hence, States and metropolitan planning organizations will have to modify their planning processes, plans or improvement programs so that an affirmative determination can be made.

QUESTION. States currently have the authority to use their Federal-aid highway money for independent bicycle and pedestrian projects. Since that authority was granted in the 1970's only 18 States have ever used section 217 to invest in bicycle and pedestrian facilities. Less than $20 million has been spent on these projects. In view of the fact that bicycle and pedestrian traffic is desirable, and capable of helping solve problems of congestion, pollution, dependence on foreign oil, and improving the health and well-being of individuals as well as the country as a whole, what more can we do to promote bicycle and pedestrian transportation?

ANSWER. The Federal Highway Administration (FHWA) is conducting the National Study of Bicycling and Walking as authorized by Congress in the 1991 DOT Appropriations Act. This Study will include the development of a state of the practice report, and will involve a number of case studies and larger scale efforts to produce a plan for promoting the use of these modes. The FHWA has hired a full time bicycle program manager to conduct this work. The Office of the Secretary is actively recruiting for a National Bicycle Transportation and Pedestrian Safety specialist to coordinate activities both within DOT and the other Federal agencies involved.

Also, FHWA and NHTSA have selected pedestrian safety as a joint NHTSA-FHWA priority area to address President Bush's Management by Objectives goal of reducing traffic fatalities. Joint activities include a community traffic safety grant program (seven grants of $30,000 were awarded in fiscal year 1990; five more are scheduled for fiscal year 1991), research in several pedestrian areas, and development of a Pedestrian Safety Program Resource Kit (July 1990).

Joint NHTSA/FHWA rulemaking is in process to add pedestrian and bicycle safety to the list of section 401 priority program areas.

QUESTION. How can we assure that States will invest in nonmotorized transportation?

ANSWER. The FHWA has identified bicycle/pedestrian coordinators in each of its regional and division offices who will be working directly with the States to promote greater consideration of bicycle and pedestrian facilities in meeting transportation needs. At this time, 25 States have a bicycle/pedestrian coordinator on their staff. The FHWA has recently updated and distributed two brochures that provide information on Federal-aid funding for bicycle and pedestrians projects.

The Department of Transportation (DOT) strongly believes that States and local jurisdictions are in the best position to determine the types of projects that will meet their transportation needs. The DOT is committed to actively working with States and Local jurisdictions to promote bicycling and pedestrian solutions to transportation needs, and to remove any impediments to the use of Federal-aid funds for bicycle and pedestrian projects. Our bill allows the use of apportioned funds for bicycle projects at a 100 percent Federal match. The current limitation of $45 million per year is proposed to be deleted.

QUESTION. The Administration bill continues the current Federal vehicle size and weight limits, including the so-called grandfather provisions regarding gross weight, axle loadings and length. Please provide a list of all States which have or claim to have grandfather rights. What is the current legal basis claimed by each State for its grandfather right.

ANSWER. There are three general types of grandfather rights a State can claim, 1) Interstate weight limits, 2) Interstate divisible load permits and 3) semitrailer lengths over 48 feet. The attached list indicates which type(s) of grandfather right(s) is(are) currently being claimed or in effect. The legal basis for each type of grandfather right is as follows.

Interstate weight limits.—If on July 1, 1956, a State had axle, axle group and/or gross weight limits in effect, exceeding the limits set forth in 23 USC 127, or if on January 4, 1975 a State had an axle spacing formula or table allowing gross weights exceeding the weights allowed by the formula of 23 USC 127, those weights can remain in effect for the Interstate System.

Interstate divisible load permits.—If on July 1, 1956, a State issued permits for divisible loads which exceeded State weight limits, they may continue to issue such permits for travel on the Interstate System.

Semitrailer lengths over 48 feet.—No State shall prohibit the use of trailers or semitrailers of such dimensions as those in actual and lawful use on December 1, 1982.

State	Type of Grandfather Right Claim		
	Interstate weight limits	Interstate divisible load permits	Semitrailer lengths over 48'
Alabama	X		X
Arizona			X
Arkansas			X
California			X
Colorado	X	X	X
Connecticut	X	X	
Delaware	X		X
Florida	X		
Georgia	X	X	
Hawaii	X	X	
Idaho		X	
Illinois		X	X
Indiana		X	X
Iowa		X	X
Kansas		X	X
Kentucky		X	X
Louisiana			X
Maine	X		
Maryland	X		
Massachusetts	X	X	
Michigan	X	X	
Minnesota		X	
Mississippi			X
Montana		X	X
Nebraska		X	X
Nevada		X	X
New Hampshire	X		
New Jersey	X		
New Mexico	X		
New York	X	X	

State	Type of Grandfather Right Claim		
	Interstate weight limits	Interstate divisible load permits	Semitrailer lengths over 48'
North Carolina	X		
North Dakota		X	X
Ohio		X	X
Oklahoma		X	X
Oregon		X	X
Pennsylvania	X	X	X
Rhode Island	X	X	X
South Carolina		X	
South Dakota		X	X
Tennessee			X
Texas		X	X
Utah		X	
Vermont	X	X	
Virginia		X	
Washington		X	
Wisconsin		X	X
Wyoming	X	X	X
District of Columbia	X	X	
Total	21	33	28

NOTE. The list of States with a grandfather right shown for divisible load permits is subject to change as legal review continues of State submissions.

QUESTION. In conjunction with being sure that highway system users are paying their fair share, has the Department developed any new cost allocation models or updated its old models to assess the share of user fees borne by each vehicle class? Do these new or revised models adequately account for the costs of congestion, air pollution, loss of productive time from accidents, and the safety of different classes of vehicles?

ANSWER. Components of the models used in the 1982 Highway Cost Allocation Study and the 1988 Heavy Vehicle Cost Responsibility Study are presently being updated. Overall methods developed for the 1982 efforts are continued, but with refinement of cost identification, revenue analysis, and cost assignment. Project specific information from the FHWA Fiscal Management Information System is now used to delineate the composition and location of Federal-Aid Highway Program obligations. A pavement damage model employing improved pavement damage assessment techniques and Highway Performance Monitoring System data was developed to improve user cost responsibility assignment of 3-R pavement expenditures. Earlier treatments for new pavement and bridge program expenditures have been revised to improve efficiency and provide the flexibility needed to quickly evaluate highway investment alternatives. Improved methods to allocate highway structure costs are also being developed.

While the current highway cost allocation process does not directly allocate the full social costs of congestion, air pollution, or accidents, the process does identify and allocate to highway users expenditures for environmentally related projects and costs attributable to highway safety and congestion. The policy importance of indirect highway use cost is apparent and efforts to expand current analysis in this area will continue.

QUESTION. The bill requires States to have a bridge management system, a pavement management system, a safety management system and a congestion management system. Requirements for these management systems are to be developed through the regulatory process. Can you please indicate what criteria will be considered for each management system?

ANSWER. The various management systems are at different stages of development in terms of what they might contain and what their capabilities might be. Suggestions from the transportation community at large are being sought in order to develop the concepts which provide for effective management of the Nation's highways while providing the States with the individual flexibility they need.

The Bridge Management System would include all essential engineering and management functions that are necessary to effectively manage a bridge program. These include 1) programs for bridge inspection, maintenance, design, construction and other essential activities; 2) formal procedures for coordinating these activities and functions; and 3) suitable analytical tools for objectively assessing bridge needs and establishing priorities.

The Pavement Management System, which would be based on the present FHWA Pavement Policy, would include the following major elements: an inventory of the existing network (including a history of maintenance and repair); data collection (including a condition survey and the loads being applied to the pavement); data analysis; prioritization of projects; selection of strategies; project selection and performance monitoring.

The Safety Management System would assure the development of strategies to improve hazardous roadway locations and features, maintain and upgrade safety hardware and features, include safety improvements in all highway projects, and identify and address commercial motor carrier safety in the management of highway facilities.

The Congestion Management System is in the initial stages of discussion. As a minimum it would provide for custom-tailored multimodal short and long-term strategies which address both supply and demand options for relieving congestion and for the linking of the planning and programming of congestion relief projects in urbanized areas, thus providing the basis for including congestion management projects in the Transportation Improvement Program (TIP).

QUESTION. States may transfer up to 15 percent of its National Highway Program apportionment to the Urban/Rural program If adequate conditions exist on the Interstate system. What measures will be used to determine if adequate conditions exist on the Interstate system?

ANSWER. This provision is intended to allow the States to meet funding shortfalls in the Urban/Rural Program by transfers from the National Highway Program. However, the provision requires that the transfers not be at the expense of preservation of the Interstate system.

Each State would be required to have in place a pavement management system by January 13, 1993. The pavement management system is designed to provide information concerning the physical condition of the roadways. The typical information produced under such a system would include pavement rideability or smoothness, distresses, deflection (i.e., structural capacity) and skid resistance. This information is used by the State highway agencies to develop optimized strategies for pavement maintenance and rehabilitation. The information will also be available to the Federal Highway Administration and may be used to determine the adequacy of the Interstate system. In the event that the pavement management system indicates that adequate conditions do not exist on the Interstate system, the State highway agency would develop a strategy for necessary maintenance and/or rehabilitation to restore the adequacy.

Further, the provisions of section 312 of the bill require that the States maintain projects constructed with the aid of Federal funds. This section specifically provides that "If the Secretary finds that a State is not adequately maintaining the Interstate system, the Secretary will require the State to program amounts from its National Highway Program apportionments to bring the Interstate system up to adequate condition and keep it in that condition." This provides the Secretary authority to take actions necessary to assure that the condition of the Interstate system is adequate.

QUESTION. The bill contains a revised formula for bridge program apportionments based on level of service. Please list the criteria which will be used to determine the level of service factor. How will this affect the current apportionment formula and the bridge apportionments to each State?

ANSWER. The Federal Highway Administration is currently working on the level-of- service criteria to be used in the process of apportioning bridge funds to the States. These are to be published in the Federal Register when completed.

QUESTION. The Administration bill allows congestion pricing in severe clean air non-attainment areas. This program is subject to criteria to be established by the Secretary. Please list the criteria that will be used to establish this program.

ANSWER. The Administration's bill allows for operational tests of congestion pricing based upon guidelines established by the Secretary in order to evaluate the effectiveness of the measure in solving air quality programs in large urban non-attainment areas. While the criteria are yet to be established, they are expected to include requirements for the submission of information on:

1) types of highway facilities to be covered,

2) how congestion will be addressed including spillover effects such as traffic changes on surrounding highways, goods movement, transit, interregional travel and interstate commerce,

3) pricing systems to be used, fee collection technology employed and potential for evasion or abuse,

4) eligible uses of revenue obtained and,

5) consistency with State and local law and with requirements of the Clean Air Act Amendments of 1990.

The objective is to determine feasibility, impacts, equity, and administrative concerns.

QUESTION. What does the Department of Transportation charge for employee parking at the agency? If this charge is below market rate, is there a similar benefit for those employees who ride mass transit?

ANSWER. The Department of Transportation (DOT) currently charges $10 per month for employee parking at the three DOT Headquarters parking facilities.

DOT's parking charge is below commercial market rates, but within a few dollars of other Federal agency rates. Comparisons to 13 other Federal agencies indicate an average of $12.45 per month being paid by Federal employees. Three of these Federal agencies offer parking at no charge. There is not a similar benefit at this time for employees who ride mass transit. However, the Department's Urban Mass Transit Administration is reviewing the feasibility of DOT's participation in State or local programs to encourage employees to use public transportation in light of the general authority for such participation granted by section 629 of P.L. 101-509 (Nov. 5, 1990).

PREPARED STATEMENT OF THOMAS D. LARSON, ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

Mr. Chairman, Members of the Committee. Thank you for providing me the opportunity to submit to the Committee written testimony discussing the Federal Highway Administration's (FHWA) budget proposal for fiscal year (FY) 1992 and provisions of the Administration's proposed reauthorization of the Department's surface transportation programs. This statement addresses the questions contained in your letter of February 15, 1991.

QUESTION 1. Please contrast the fiscal year 1992 request with the fiscal year 1991 request and the appropriated level. What effect will proposed increases or reductions have on your programs?

ANSWER. We are requesting $15.979 billion of budget authority in fiscal year 1992 which is $1.374 billion over the $14.605 billion level available in fiscal year 1991. The $16.456 billion obligation level is about $100 million more than the $16.356 billion estimated for fiscal year 1991. Outlays for fiscal year 1992 are estimated at $15.248 billion compared to an estimated level of $14.436 billion in fiscal year 1991.

The fiscal year 1992 budget represents a significant new direction for the FHWA which is driven by the principles of the President's National Transportation Policy. This budget focuses our resources on programs and projects that will provide desired national benefits and will advance national goals for sustained economic growth and enhanced international competitiveness.

QUESTION 2. What personnel increases or decreases are being proposed in fiscal year 1992 compared with fiscal year 1991 levels?

The fiscal year 1992 budget includes a request for an additional 141 positions and 88 full-time equivalents (FTE's) as follows:

	Position	FTE's
Federal-Aid Highways	10	5
General Operating Expenses	88	44
Motor Carrier Safety	43	39
Total	141	88

QUESTION 3. Please discuss any rescissions, deferrals, or supplementals proposed for fiscal year 1991.

Answer. The Administration has proposed a change to the fiscal year 1991 appropriation language which would give the Secretary discretion to limit the redistribution of obligation authority. Under current law, the Secretary of Transportation is required to redistribute all unused obligation authority (enacted obligation limitation) to States that have none remaining from States that have indicated that they cannot use their available authority. The amount to be excluded from redistribution in the fiscal year 1991 supplemental request is $249 million.

Question 4. What legislative initiatives are necessary, or under consideration, to implement any part of the agency's fiscal year 1992 budget request? Please describe these proposals and specify the budgetary impact of each provision.

Answer. Federal-aid highways, Motor Carrier Safety Grants, and Highway Related Safety Grants all require authorizing legislation which is included in our proposed reauthorization package. In addition, authorizing legislation is required in order to fund Motor Carrier Safety from the Highway Trust Fund beginning in fiscal year 1992.

Question 5. Please discuss the financial status of the Highway Trust Fund. What do the various tax exemptions represent in lost revenues? Please review the impact of the Omnibus Budget Reconciliation Act of 1990 on both the Highway and Mass Transit Accounts within the Trust Fund.

Answer. As may be seen from the attached Table A-120, at the close of fiscal year 1990 the Highway Account of the Highway Trust Fund balance was $9.629 billion and is estimated to $11.106 billion at the end of fiscal year 1991. Under the Administration's proposed bill, obligations for fiscal year 1992-1996 from the Highway Account will total $90.7 billion. Outlays will be $83.886 billion, while Highway Account income (taxes and interest) are estimated to be $86.593 billion for the same period. We estimate that the Highway Account balance will be at $13.813 billion at the end of fiscal year 1996.

Exemptions amount to $1.220 billion in fiscal year 1990 as may be seen on the attached table showing in more detail the cost of the exemptions. The lost revenues are estimated to be $1.263 billion in fiscal year 1991 and are estimated to total $7.265 billion for the period fiscal year 1992-1996.

Table A-120.—Highway Account Status, fiscal year 1992-96 Auth. $16.3-$20.6 Bil., fiscal year 1992-96 Obl. $16.8-$20.6 Bil, Jan. Revenue Est. 5 Cent Fuel Tax Increase—2½ Cents to HTF Thru fiscal year 1995, 80% to Hwy. Acct.

(Dollars in millions)

Fiscal year	Authorization	Obligations	Income	Expenditure	Trust fund balance	Unpaid authorization	Byrd amendment	Interest income	Tax receipt
1986 & prior	193,430	190,536	178,093	168,606	9,486	29,824	6,035		
1987	13,780	13,133	12,728	12,802	9,412	30,802	7,389	934	11,793
1988	14,085	13,397	13,645	14,038	9,019	30,849	6,757	809	12,836
1989	14,433	13,825	15,134	13,602	10,551	31,680	8,264	776	14,358
1990	15,245	14,450	13,453	14,375	9,629	32,550	9,814	981	12,472
1991	14,336	16,000	15,940	14,463	11,106	32,423	12,978	855	15,085
1992	16,266	16,751	16,795	15,286	12,615	33,403	14,728	930	15,865
1993	16,563	17,072	17,500	16,527	13,588	33,439	16,621	994	16,506
1994	17,133	17,688	18,016	16,878	14,726	33,694	15,314	1,019	16,997
1995	18,584	18,584	18,456	17,035	16,147	35,243	12,586	1,049	17,407
1996	20,584	20,584	15,826	18,160	13,813	37,667	8,390	1,110	14,716
1997		7,419	15,856	16,928	12,741	20,740		773	15,083
1998			16,388	10,023	19,106	10,717		928	15,460
1999			1,206	4,715	15,597	6,002		846	360

As shown in the table below, we estimate that the effect on the Highway Trust Fund of the change in tax rates contained in the OBRA of 1990 will be to increase revenues by roughly $12,800 million over the 1992-96 period. Of that amount, $10,290 million will accrue to the Highway Account, and $2,570 million will accrue to the Mass Transit Account. Increase in Highway Trust Fund ($ million):

	1992	1993	1994	1995	1996	1992-95
Trust Fund Increase	3,095	3,179	3,259	3,337	0	12,800
Mass Transit Account	619	636	652	667	0	2,570
Highway Account	2,476	2,543	2,607	2,669	0	10,290

QUESTION 6. How do annual funding levels proposed in the Administration's Surface Transportation Assistance Act of 1991 compare with estimated annual tax and interest income to the Highway Trust Fund? Please distinguish between the highway account and the mass transit account.

ANSWER. The highway obligation levels for fiscal year 1992, 1993, 1994, 1995, and 1996 are proposed at $16.751 billion, $17.072 billion, $17.688 billion, $18.584 billion, and $20.584 billion respectively. The forecasted income for the highway account of the Highway Trust Fund, including interest, is $16.795 billion, $17.500 billion, $18.016 billion, $18.456 billion, and $15.826 billion respectively. This includes the 2 cents of the 5 cent per gallon fuel tax increase as a part of the Omnibus Budget Reconciliation Act of 1990 which expires on October 1, 1995. The Highway and Transit Trust Account status and forecasts are attached.

Highway Trust Fund Analysis, Fiscal Year 1992 Congressional Budget

(Dollars in millions)

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Highway Trust Fund Balance:								
Balance start of year	14,186.600	16,608.300	16,783.953	13,493.147	22,362.2	23,523.9	24,706.8	35,889.7
Tax Receipts	15,627.900	13,867.400	16,817.000	17,776.000	18,467.0	19,005.0	19,461.0	16,332.0
Interest	1,244.800	1,562.400	1,489.600	1,632.500	1,737.4	1,764.3	1,760.4	1,776.5
Outlays (−)	(14,451.000)	(15,254.147)	(15,597.406)	(16,839.443)	(18,742.8)	(19,586.2)	(20,388.6)	(21,614.7)
Balance end of year	16,608.300	16,783.953	19,493.147	22,062.204	23,523.9	24,706.9	25,839.7	22,381.6
Investment rate	0.000	0.089	0.084	0.079	0.07500	0.07125	0.06875	0.06625
Mass Transit Account:								
Balance start of year	5,167.500	6,057.300	7,154.947	8,387.139	3,446.9	9,936.1	9,981.1	9,692.3
Tax receipts	1,269.400	1,395.300	1,732.000	1,911.000	1,961.0	2,008.0	2,054.0	1,666.0
Interest	468.900	581.300	635.000	702.400	743.9	745.2	711.2	666.3
Outlays (−)	(848.500)	(878.953)	(1,134.808)	(1,553.674)	(2,215.7)	(2,708.2)	(3,053.9)	(3,455.0)
Balance end of year	6,057.300	7,154.947	8,387.139	9,446.864	9,936.1	9,981.1	9,692.3	8,569.7
Highway Account:								
Balance start of year	9,019.100	10,551.000	9,629.006	11,106.008	12,615.3	13,587.8	14,725.9	16,147.4
Tax receipts	14,358.500	12,472.100	15,085.000	15,865.000	16,506.0	16,997.0	17,407.0	14,716.0
Interest	775.900	981.000	854.600	930.100	993.5	1,019.1	1,049.2	1,110.2
Outlays (−)	(13,602.500)	(14,375.194)	(14,462.598)	(15,285.769)	(16,527.0)	(16,878.0)	(17,034.8)	(18,159.7)
Balance end of year	10,551.000	9,629.006	11,106.008	12,615.339	13,587.8	14,725.9	16,147.4	13,813.9

Note: fiscal year 1997 and fiscal year 1998 receipts and outlays computed assuming same percentage increases in current services receipts from fiscal year 1995 to fiscal year 1996 and outlays from fiscal year 1995 to fiscal year 1996 respectively; also assumes the same reduction on estimated investment rates from fiscal year 1995 to fiscal year 1996.

Question 7. Please discuss the impacts on the Highway Trust Fund and highway programs of the Clean Air Act Amendments of 1990 and possible future energy conservation programs.

Answer. The effects of the Clean Air Act Amendments (CAAA) of 1990 on Highway Trust Fund revenues will depend on the extent to which the clean-fueled vehicle and fuel oxygenation requirements of the CAAA are met through the use of fuels that pay the full highway tax. For instance, if methanol is used to meet the requirements, the revenue impacts would be minimal, since, on an energy equivalent basis, the tax on methanol is roughly comparable to the tax on gasoline. There would be some revenue loss if the comparison is between methanol and diesel fuel, since the tax on methanol is only about two-thirds that of diesel fuel on an energy equivalent basis. On the other hand, if there is significant growth in the use of compressed natural gas, electricity, or other fuels that are not currently taxed at the Federal level, the revenue losses could be quite significant. Similarly, if methyl tertiary butyl ether and/or ethyl tertiary butyl ether become the fuel oxygenates of choice, there would be no Trust Fund revenue impact, since the oxygenated fuels would pay the full highway tax. However, if the fuel oxygenation requirements lead to increased use of gasohol, revenue losses attributable to gasohol consumption could increase from their current level of $400-500 million, annually. The CAAA will also alter the operation of the Federal-aid highway program in areas that are nonattainment for carbon monoxide, ozone, and possibly fine particulate (dust) in several ways. First, the expanded use of sanctions to enforce the requirements of the CAAA is a significant change. Second, the transportation conformity requirements will shift the program from cooperation with air quality planning efforts and implementation of agreed strategies to direct in responsibility for highway-related emissions as a precondition to Federal participation. These requirements combined with the emission reduction targets included in the Act may restrict the use of the program for expanding highway system capacity in affected areas. Finally, the expanded nonattainment area boundaries, extensive air quality attainment planning process, and detailed administrative and study requirements at both the systems planning and project development stages of transportation facility development will require additional resources and possibly time to qualify and advance transportation facilities with Federal-aid program funds.

There are a number of energy conservation possibilities, but, perhaps, the one most frequently discussed is improving the fuel efficiency of the vehicle fleet. From the standpoint of Highway Trust Fund revenues, improvements in fuel efficiency translate into declines in fuel tax receipts relative to travel. We have experienced significant fuel efficiency improvements in the past, and we can expect to see continued improvements in the future. Forecasts by Data Resources, Inc., a private economic forecasting firm, indicate that travel by autos will increase by an average of 1.7 percent per year over the 1989 to 2010 period, while fuel consumption by automobiles increases by only 0.2 percent per year. The result is a 27 percent decline in fuel consumption (and fuel tax receipts) per mile driven. This forecast is based on the assumption of no change in current CAFE standards. If programs are adopted that lead to more rapid increases in vehicle fuel efficiency, the impacts on the Highway Trust Fund could be quite significant.

Estimated Value of Highway Trust Fund Exemptions

(In millions)

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	Total (FY92-96)
State, county, municipal exemption	$552.3	$668.4	$739.5	$799.7	$851.4	$899.3	$914.4	$4,204.3
Bus exemption	87.4	96.5	101.0	103.7	105.9	108.2	112.0	530.8
Gasohol exemption *	503.9	420.0	420.0	420.0	420.0	420.0	420.0	2,100.0
Diesel fuel "prefund" (credit for vehicles less than 10,000 pounds)	38.6	39.6	40.7	42.6	44.5	48.9	47.6	224.2
Heavy vehicle use tax exemptions for:								
1. Vehicles traveling less than 5,000 miles annually	31.9	32.6	33.2	34.1	35.0	35.9	37.0	175.2
2. Agricultural vehicles	2.4	2.4	2.5	2.6	2.7	2.8	2.9	13.5
3. Logging trucks (25% exemption)	2.2	2.3	2.3	2.4	2.4	2.5	2.5	12.1

Estimated Value of Highway Trust Fund Exemptions—Continued

(In millions)

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	Total (FY92-96)
4. Federal vehicles	0.8	0.9	0.9	1.0	1.1	1.1	1.1	5.2
Total	$1,219.5	$1,262.7	$1,340.1	$1,406.1	$1,463.0	$1,518.7	$1,537.5	$7,265.3

* Gasohol historical figures are based on Income Statement for the Highway Trust Fund.

QUESTION 8. What additional non-Federal sources of funding appear most viable to meet highway and other transportation needs? What types of funding flexibility might prove helpful in making better use of limited resources?

ANSWER. *General.* All levels of government and the private sector have indicated that an increase in the total actual investment in highways is necessary. While the Administration's proposal recognizes the need to provide more Federal and non-Federal money for transportation capital, it also provides significant flexibility to the States as to how the additional non-Federal funds may be raised. For example the proposal provides State and local governments flexibility to address their transportation problems in innovative and responsive ways. Increased State and local funding and privatization/innovative financing appear to be the most viable non-Federal sources of funds to meet highway needs. Increased flexibility in the use of funds would assist in allowing States to make the best use of funds. The details are as follow:

Increased State and Local Funding. The Administration's proposal calls for increasing the share of project costs paid by the recipients of Federal-aid Highway funds. Increased State shares 10 coupled with increased Federal dollars result in increased total spending on the Federal-aid system. The Administration's highway proposal recognizes that even in the best of times the States require time to adjust their finances to meet increased Federal spending. The Administration's proposal, of course, recognizes that many of the States are now facing budget problems, and must make hard choices. A temporary matching fund waiver in the legislative proposal will provide States a phase-in period to adjust their financing. Additionally, those States with unobligated balances of previously apportioned funds may use those funds under current matching ratio and program requirements at their option. However, over the long term, the proposal sees increased State and local funding as a very viable means of increasing highway spending and more effectively targeting highway dollars. Historically, the States have increased their own spending to match Federal dollars. Under the proposal, the average overall statutory matching rates will be reduced from about 83 percent in current law to about 72 percent in the proposal.

Privatization/Innovative Financing. The Administration's proposal also seeks to increase highway funding by stimulating private investment in the transportation infrastructure. The proposal contains provisions which will help bring forth new financial sources to fund needed increases in highway capacity. These private sources of funds will supplement, but not replace, the resources already provided by Federal and State governments. The proposal would give private sector firms the opportunity to facilitate highway construction at certain locations by donating funds or property and by allowing such donations to be used to match Federal funds. The proposal includes a requirement for assessment of innovative financing techniques as part of the required planning process.

Flexibility. Providing State and local governments with flexibility to address their unique transportation problems in innovative and responsive ways is a fundamental objective of the legislative proposal. Some of the provisions of our proposal which allow for flexibility are:

- Multi-modal—Highway and transit programs are directly compatible and funding between certain major categories is transferable. This encourages State and local governments to make the most effective investment decisions;
- Urban-Rural Program—This highway program category is intended to provide maximum latitude to State/local governments in addressing their own unique transportation problems using highway or transit solutions;
- Categorical Transferability—With appropriate accountability safeguards, States are permitted to transfer up to 15 percent from the National Highway Program to the Urban and Rural Program;

- Interstate Completion Transferability—Interstate funds apportioned to States for completing nonessential Interstate links may be transferred to the National Highway Program.

QUESTION 9. Please review the use of pricing mechanisms, especially for purposes of congestion management, and the potential such mechanisms may have for financing transportation.

ANSWER. Peak period pricing is common in the private sector, in theaters, resorts, long-distance telephone service, and in rail, subway and air fares. The airlines, for example, have developed sophisticated peak and off-peak pricing mechanisms to make more efficient use of their facilities and to maximize revenue yield.

The use of peak and off-peak pricing differentials to improve the use of scarce or time-sensitive resources is a well established economic principle. It works by providing economic incentives to shift some users, principally those who put a lower value on peak period use of a facility, into non-peak periods. In the case of highways, it can shift a user into different mode, e.g., a single driver into a carpool or into transit ridership.

Congestion pricing is one of the initiatives of the National Transportation Policy. It is not a substitute for necessary capacity increases, but it is a way to encourage the most effective use of existing facilities. Our reauthorization bill would allow States to test these measures. Congestion pricing is not, as has been suggested in some quarters, double taxation. It is a means of charging peak period users for costs they impose on the highway system, but do not pay. A section in the Surface Transportation Assistance Act (STAA) of 1991 addressees congestion pricing.

QUESTION 10. Please address proposals to remove the Highway Trust Fund from the unified budget.

ANSWER. We do not support taking the Highway Trust Fund out of the unified budget. We believe keeping government receipts and expenditures in one unified budget is important for providing an accurate picture of the budget and for maintaining control of Federal spending. Under the terms of the Gramm-Rudman-Hollings Act, all receipts and expenditures of the Federal Government must be included in the calculation of the Federal deficit.

QUESTION 11. Please discuss the appropriate roles for Federal, State and local governments and the private sector in financing future transportation projects.

ANSWER. As stated in the National Transportation Policy the appropriate Federal role is to facilitate and promote interstate commerce and provide for the National defense and also to promote equity, uniformity and efficiency in highway transportation. Consistent with this, the new highway program proposed by the STAA features a new "National Highway Program" which concentrates limited Federal resources on the rehabilitation and improvement of highways which are most critical to interstate travel, commerce and defense. A strengthened Bridge Replacement and Rehabilitation program will be continued to ensure that these vital links in the road network are maintained.

For facilities that are not as vital nationally, the States and localities should assume major responsibility. The STAA proposes continuing significant Federal assistance for these roads through the Urban and Rural program but the controls and reviews of the program will be loosened, providing enhanced flexibility to the States.

Finally, the National Transportation Policy specifically promotes stimulating private investment in transportation infrastructure. The types of public facilities that the private sector may invest in could range from major routes on the National Highway System to roads serving only local traffic; the aim of the STAA is not to designate a class of roads that should have private participation but is to stimulate private investment across the board. To accomplish this, the legislation would relax current restrictions and require the States to consider private investment potential.

That concludes my written statement.

PREPARED STATEMENT OF JAMES L. BLUM

Mr. Chairman and Members of the Committee, I am pleased to appear before you this morning to discuss the President's proposed budget and other issues related to reauthorization of the Federal highway program. I will begin by reviewing CBO's baseline projections for the Highway Trust Fund, after which I will turn to the implications of the Omnibus Budget Reconciliation Act of 1990 (OBRA) for the highway budget and the Highway Trust Fund. I will present CBO's analysis of the President's budget, comparing it with CBO's baseline and with spending in past years. Finally, I will discuss some of the Administration's highway policy proposals.

FINANCIAL STATUS OF THE HIGHWAY TRUST FUND

The Highway Trust Fund is essentially an accounting mechanism that records revenues from fuel taxes and other taxes on vehicles earmarked for the fund, spending from the fund on designated highway and mass transit programs, and interest on the unexpended balances. Unlike most other Federal trust funds, no direct relationship exists between Highway Trust Fund receipts and budget authority for these spending programs. Authorization acts provide budget authority for most highway programs in the form of contract authority, the authority to incur obligations in advance of appropriations. Outlays from the trust fund are for the most part controlled through limits on annual obligations set in appropriation acts, which limit the amount of outstanding contract authority that can be obligated in any one year. The unexpended balance in the trust fund represents the cumulative difference between receipts (taxes and interest) and outlays over the life of the fund.

At the beginning of this fiscal year, the total unexpended balance in the trust fund was $16.8 billion, which included $9.6 billion in the highway account and $7.2 billion in the transit account. The unexpended balance in the highway account has remained almost unchanged over the past decade, except for some year-to-year fluctuations. All of the growth in the unexpended balance of the trust fund—about $6 billion over the past 10 years—can be attributed to the transit account.

The unexpended balance in the Highway Trust Fund does not measure the amount of uncommitted funds available for future spending on highway and transit projects. Outstanding commitments must be paid from this balance. At the beginning of this fiscal year, for example, unpaid commitments for highway programs totaled about $32.5 billion. This amount includes funds already obligated for highway projects ($21.7 billion) and contract authority apportioned to the States but not yet obligated ($10.8 billion). The existing cash balance, along with future years' receipts, will be used to liquidate these commitments.

Future spending from the highway account is limited by a provision of law known as the Byrd Amendment. This provision limits the amount by which unpaid commitments can exceed the cash balance (referred to as unfunded authorizations) to no more than the next two years' receipts (including interest). CBO expects receipts in fiscal years 1992 and 1993 to exceed the unfunded authorizations at the end of the current year by about $14 billion.

Spending and Revenue Projections

Under CBO baseline projections, as shown in Table 1, we estimate that total obligations from the highway account will almost equal total receipts (including interest) over the next five years. Because of an expected decline in unobligated contract authority, however, unpaid commitments will fall to about $26 billion by the end of the period—still $10 billion greater than the unexpended balance but within the level required by the Byrd Amendment, assuming trust fund taxes are extended at current rates. Outlays and tax revenues will be almost equal, indicating that the net impact on the deficit of highway account finances will be very small.

Table 1.—Financial Position of the Highway Trust Fund Under CBO Baseline Assumptions

(By fiscal year, in billions of dollars)

Year	Receipts			Budget Authority [a]	Total Obligations	Outlays	Unexpended Balance
	Tax Revenue	Interest Income	Total				
	Highway Account						
1990	12.5	1.0	13.5	15.2	14.5	13.3	9.6
1991	14.9	0.9	15.8	143	16.6	14.5	11.0
1992	16.2	1.0	17.2	14.9	17.0	16.0	12.1
1993	16.7	1.0	17.8	15.4	17.8	16.6	13.3
1994	17.2	1.1	18.3	15.9	18.5	17.2	13.3
1995	17.6	1.2	18.8	16.5	18.9	17.9	15.3
1996	18.3	1.2	19.5	17.1	19.5	18.4	16.3
	Transit Account						
1990	1.4	0.6	2.0	1.3	1.3	0.9	7.2
1991	1.7	0.7	2.4	1.4	1.4	1.1	8.5
1992	2.0	0.8	2.7	1.5	1.5	1.2	10.0
1993	2.0	0.9	2.9	1.5	1.5	1.4	11.5

Table 1.—Financial Position of the Highway Trust Fund Under CBO Baseline Assumptions—Continued

(By fiscal year, in billions of dollars)

Year	Receipts			Budget Authority *	Total Obligations	Outlays	Unexpended Balance
	Tax Revenue	Interest Income	Total				
1994	2.0	1.0	3.0	1.6	1.6	1.5	13.0
1995	2.1	1.1	3.2	1.6	1.6	1.6	14.6
1996	2.2	1.2	3.3	1.7	1.7	1.6	16.3
	Combined Trust Fund						
1990	13.9	1.6	15.4	16.5	15.7	15.3	16.8
1991	16.7	1.6	18.3	15.7	18.0	15.6	19.5
1992	18.2	1.8	19.9	16.3	18.5	17.3	22.1
1993	18.7	1.9	20.6	16.9	19.3	17.9	24.8
1994	19.2	2.1	21.3	17.5	20.0	18.7	27.4
1995	19.7	2.2	21.9	18.1	20.5	19.5	29.9
1996	20.4	2.4	22.8	18.8	21.2	20.0	32.7

Source: Congressional Budget Office.

Note: Details may not add to totals because of rounding.

* Includes contract authority for Federal-aid highways, motor carrier safety grants, highway traffic safety grants, highway-related safety grants and transit grants, as well as appropriations for several smaller programs.

In the transit account, receipts over the next five years will exceed total obligations and outlays by more than $7 billion under CBO baseline assumptions. As a consequence, the unexpended balance in the CBO baseline projections grows to $16.3 billion, the same level as projected for the highway account. Most transit spending is currently financed from the general fund, however. The total baseline program level for all transit programs over this period—$18 billion—exceeds transit account receipts in the trust fund by about $3 billion.

The CBO baseline assumes that current program levels will be increased just enough to keep pace with inflation. Most of the outlays for highway programs are controlled by the obligation ceiling for Federal-aid highways, which is assumed to remain at the current year's level, with adjustments for projected inflation. CBO also projects contract authority for these programs, based on the level in the last year of the current authorization, but these amounts have little direct impact on outlays. The baseline projections also assume extension of the taxes that fund the Highway Trust Fund past their scheduled expiration date on September 30, 1995.

Several legislative actions last year will have a significant impact on the financial position of the Highway Trust Fund, increasing the receipts and potential spending of the fund. The Omnibus Budget Reconciliation Act of 1990 raised fuel tax rates, resulting in increased trust fund receipts in both the highway and mass transit accounts. These changes are discussed in more detail below. In addition, baseline spending projections have increased because the 1991 obligation ceiling for Federal-aid highways is much higher than that in recent years—about $2 billion greater than the 1990 level. Estimated baseline outlays for Federal-aid highways over the 1991-1995 period increased by almost $5 billion as a result of the higher 1991 obligation ceiling.

The increased receipts to the trust fund as a result of OBRA would outweigh the increased spending and result in a growing unexpended balance. Under our current baseline projections for the 1991-1995 period, CBO estimates that total trust fund receipts would exceed outlays by $13.1 billion, whereas in the last year's baseline (projected from 1990 program levels) estimated receipts exceeded outlays by only $5.6 billion over that period.

OBRA Tax Provisions

Several provisions in OBRA affected Highway Trust Fund revenues, increasing them by almost $17 billion over the 1991-1995 period. Most important, gasoline and diesel excise tax rates were increased by 5 cents per gallon, bringing the tax rates up to 14 cents and 20 cents per gallon, respectively. In addition, the exemptions for taxes on alcohol fuel were reduced. These taxes will be in effect through fiscal year 1995.

Revenue from half of the tax rate increase along with the revenue raised under the pre-OBRA tax rates will be deposited in the Highway Trust Fund. Revenue raised from the other half of the rate increase (2.5 cents per gallon) will remain in the general fund. This is the first time that revenue from highway-related taxes will not be deposited in the Highway Trust Fund since its inception in 1956. CBO's baseline projections assume the Highway Trust Fund taxes are extended beyond their current expiration date of September 30,1995. These projections, however, do not assume that the 2.5 cents per gallon rate now remaining in the general fund will be extended.

OBRA also changed the formula that determines the split between the revenues deposited into the highway account and the mass transit account. Under the new formula, 1.5 cents per gallon of taxable motor fuel will be deposited into the mass transit account rather than 1 cent per gallon under previous law. As a result, the deposits in the mass transit account will increase by about $600 million in 1991 and by $700 million each year thereafter compared with the allocation under previous law.

Budget Enforcement Act of 1990

Title XIII of OBRA made changes to budget enforcement mechanisms that have important implications for the Highway Trust Fund. These changes effectively divided the budget into two parts controlled by different rules. Specific dollar limits now apply to discretionary spending, while a "pay-as-you-go" requirement applies to mandatory spending and revenues. The tax receipts going in the trust fund and the spending from the trust fund are now included under different budget enforcement mechanisms, and one cannot be used to offset changes in the other.

Spending from the Highway Trust Fund has always been considered discretionary spending under the Congressional Budget Act. Because outlays are controlled by obligation limits, they have been allocated to the appropriations committees. These outlays are now subject to the discretionary spending caps. Any increase in spending for these programs must compete with spending for other programs covered by the caps.

Changes to trust fund revenues are treated differently. They would be included under the "pay-as-you-go" mechanism, along with other changes in Federal revenues and direct spending programs such as Medicare and farm price supports. Increases in Highway Trust Fund taxes could only be used to offset reductions in other taxes or increases in direct spending programs. They could not be used to pay for higher highway spending. To illustrate this point, additional outlays for Federal-aid highways resulting from the increased 1991 ceiling on obligations must be accommodated within spending for other discretionary programs even though trust fund revenue increased by a greater amount.

THE PRESIDENTS BUDGET PROPOSAL

Almost all spending from the highway account within the trust fund is for the Federal-Aid Highways Program, the basic Federal program providing grants to States for highway and bridge construction and repair. Adopting the funding levels proposed in the President's budget for this program would result in greater spending over the next five years than over the past five years, but slightly less than under CBO baseline projections. We estimate that outlays for Federal-aid highways over the 1992-1996 period would total about $82 billion under the President's budget, compared with $84 billion for that period under the CBO baseline. Compared with the preceding five-year period, outlays would increase by about $14 billion. In real terms (constant dollars), however, spending during the two periods under the President's proposal would remain almost unchanged *(see Table 2).*

Table 2.—Comparison of Highway Spending Levels Proposed in the President's Budget, as Estimated by CBO, With Historical Levels

Year	Federal-Aid Highways					Other Highway Account Programs[b]	
	Budget Authority	Obligation Ceiling	Exempt Obligations[a]	Total Obligations	Outlays	Budget Authority	Outlays
	Actual						
1987	13.5	12.4	0.5	12.8	12.6	0.3	0.2
1988	13.7	11.8	1.3	13.1	13.8	0.4	0.2
1989	14.1	12.0	1.5	13.5	13.3	0.3	0.3
1990	14.9	12.2	1.9	14.1	14.1	0.3	0.3

Table 2.—Comparison of Highway Spending Levels Proposed in the President's Budget, as Estimated by CBO, With Historical Levels—Continued

Year	Federal-Aid Highways					Other Highway Account Programs[b]	
	Budget Authority	Obligation Ceiling	Exempt Obligations[a]	Total Obligations	Outlays	Budget Authority	Outlays
	Estimated						
1991	14.0	14.3[c]	1.7	16.2	14.1	0.3	0.4
	Administration Proposal						
1992	15.8	15.7	0.7	16.5	15.5	0.4	0.5
1993	16.1	16.0	0.3	16.3	15.8	0.5	0.5
1994	16.6	16.5	0.4	16.9	16.0	0.5	0.5
1995	18.1	18.0	0.1	18.1	16.6	0.5	0.5
1996	20.1	20.0	0.1	20.1	17.7	0.5	0.5

Source: Congressional Budget Office.

[a] Obligations for some programs funded under this account are not subject to obligation ceilings, but operate solely based on contract authority provided by the authority committees. These include the emergency relief ad minimum allocation programs. CBO estimated obligations based on contract authority levels proposed by the President.

[b] In addition to Federal-aid highways, programs funded from the highway account include highway safety and motor carrier safety grants.

[c] The actual obligation ceiling is $145 billion. Obligations would be lower as a result of requested supplemental appropriations language that would allow the Administration to restrict the redistribution of obligational authority among States in the final months of the year.

Outlays under the President's budget would grow more slowly than under the baseline because of the relatively slow growth in obligations. Total obligations for Federal-aid highways include those under the appropriated obligation ceiling plus those for programs not covered by the ceiling—including the emergency relief and minimum allocation programs. While the budget includes large increases in the obligation ceiling, it also includes even greater reductions for exempt programs.

The President proposes significantly increased levels of budget authority for Federal-aid highways—greater than assumed in the baseline—but it is the level of obligations in each year rather than budget authority that directly affects spending. Under the CBO baseline, ceilings on obligation would be significantly higher than the underlying budget authority, allowing the use of the large unobligated balance of budget authority carried over from earlier years. Under the President's budget, obligations would just equal budget authority and the unused balances would remain.

As a result of the slight growth in obligations, as well as a supplemental appropriation action requested by the President for fiscal year 1991, estimated fiscal year 1992 outlays under the budget would be about $0.1 billion below the CBO baseline. The requested supplemental language would amend language directing the Secretary of Transportation to redistribute unused obligational authority among the States in the last two months of the fiscal year, making this action discretionary on the part of the secretary. We estimate that the secretary would act to reduce 1991 obligations by about $0.2 billion. The effect on outlays would fall primarily in fiscal year 1992.

The Administration proposes greater increases in program levels for Federal-aid highways in the later years. By fiscal year 1996, total obligations under the budget would exceed those in the CBO baseline. These increasing program levels are reflected in outlays, which we estimate would grow from $14.1 billion in fiscal year 1991 to $17.7 billion in fiscal year 1996. As noted above, however, total outlays over the period would still be less than the CBO baseline.

Impact on the Financial Position of the Trust Fund

Because of the relatively slow growth in obligations, total outlays from the highway account under the budget would be below baseline levels over the next five years, as shown in Table 3. Nevertheless, the unexpended balance would be lower at the end of fiscal year 1996 because of reduced receipts in that year. The Administration proposes to extend the motor fuel taxes at the lower pre-OBRA rates of 9 cents per gallon for gasoline and 15 cents per gallon for diesel for 1996, dropping the OBRA 5 cents-per-gallon increase in the tax rate. This proposal would reduce trust fund tax receipts by $3.4 billion in 1996 from the projected OBRA level. The amount by which unpaid commitments would exceed the cash balance by the end of 1996 under the President's budget—$22 billion—would be almost equal to the amount anticipated at the end of the current year, and well within the constraints of the Byrd Amendment.

Table 3.—Financial Position of the Highway Trust Fund Under the President's Budget, as Estimated by CBO

(By fiscal year, in billions of dollars)

Year	Receipts			Budget authority[a]	Total obligations	Outlays	Unexpended balance
	Tax revenue	Interest income	Total				
	Highway Account						
1990	12.5	1.0	13.5	15.2	14.5	13.3	9.6
1991	14.9	0.9	15.8	14.3	16.6	14.5	11.0
1992	16.2	1.0	17.2	16.3	16.9	16.0	12.2
1993	16.7	1.1	17.8	16.6	16.8	16.3	13.6
1994	17.2	1.2	18.3	17.1	17.4	16.4	15.4
1995	17.6	1.3	18.9	18.6	18.6	17.1	17.2
1996	15.3	1.3	16.8	20.6	20.6	18.2	15.7
	Transit Account						
1990	1.4	0.6	2.0	1.3	1.3	0.9	7.2
1991	1.7	0.7	2.4	1.4	1.4	1.1	8.5
1992	2.0	0.8	2.7	3.2	3.2	1.6	9.6
1993	2.0	0.8	2.8	3.2	3.2	2.1	10.3
1994	2.0	0.8	2.9	3.2	3.2	2.8	10.4
1995	2.1	0.8	2.9	3.2	3.2	3.2	10.1
1996	1.5	0.7	2.2	3.3	3.3	3.3	8.9
	Combined Trust Fund						
1990	13.9	1.6	15.4	16.3	15.7	15.3	16.8
1991	16.7	1.6	18.3	15.7	18.0	15.6	19.5
1992	18.2	1.7	19.9	19.3	20.2	17.6	21.8
1993	18.7	1.9	20.6	19.8	20.0	18.3	23.9
1994	19.2	2.0	21.2	20.4	20.6	19.3	25.8
1995	19.7	2.1	21.8	21.8	21.8	20.3	27.3
1996	17.0	2.0	19.0	23.9	23.9	21.7	24.6

Source: Congressional Budget Office.

Note: Details may not add to totals because of rounding.

[a] Includes contract authority for Federal-aid highways, motor carrier safety grants, highway traffic safety grants, highway-related safety grants and transit grants, as well as appropriations for several smaller programs.

Estimated spending from the transit account, however, would be much greater under the President's budget than estimated under baseline assumptions. As a result, we estimate that the unexpended balance at the end of fiscal year 1996 would fall to $8.9 billion if the President's proposals are adopted—roughly equal to the expected level at the end of this year, but $7 billion less than under the CBO baseline. This difference largely reflects the President's proposal to fund most transit programs from the trust fund rather than from the general fund. The total level of spending for transit programs proposed by the President would be slightly less than that assumed in the CBO baseline. In previous budgets, the Administration has proposed larger reductions in transit program spending.

THE ADMINISTRATION'S HIGHWAY PROGRAM PROPOSALS

The Administration has proposed a number of changes in Federal highway policy in addition to the budgetary proposals. These include creating new categories of programs, changing the share of costs the Federal Government pays, allowing greater use of toll roads, and expanding the research program.

One of the major elements of the Administration's highway reauthorization proposal is to establish a National Highway System (NHS) of about 150,000 miles, which will include the present interstate system and other major routes designated by the Secretary of Transportation in consultation with State and local government officials. Selection of routes is to be based on such criteria as meeting national defense requirements, serving interstate and interregional travel, and serving major population centers, ports, airports, and international border crossings.

Although these criteria are intended to capture the spillovers that are part of the Federal interest, they are likely to lead to including roads for which the Federal interest is weaker than that implied by the proposed funding formula. That formula maintains the Federal Government's share at 90 percent of funding costs for roads that are part of the present Interstate Highway System and 75 percent of funding costs for others. For example, highways in urban areas often carry a small amount of interstate relative to local traffic. It is difficult to make an economic case for including such roads in a federally subsidized system.

Another major proposal is to create an Urban and Rural Program, which would consolidate several existing programs and include current primary and secondary roads not designated for the National Highway System. The Federal share for this program would be 60 percent. At the same time, however, it would offer greater flexibility to State and local governments in selecting projects, including the ability to use funds for either highway or transit projects. This proposal should enhance efficiency from the standpoint of the State and local governments, although they might choose projects that yield greater local benefits at the expense of national benefits.

The Administration's proposal would encourage the use of tolls by permitting States to use Federal funds for building and improving toll roads and for converting roads that now are free of charge to toll roads. It also would permit cities with serious air quality problems to experiment with pricing strategies for peak periods in order to reduce demand and alleviate congestion. These are certainly steps in the direction of improving management of resources.

Pricing mechanisms can be very effective in alleviating congestion, promoting more efficient use of highways, suggesting where additional highway spending is likely to have the greatest returns, and raising funds to finance individual projects. Highway congestion is a serious problem in many metropolitan areas, and the associated delays diminish productivity as well as leisure time. The economic solution to excess demand—in this case, the amount of highway services demanded exceeding the amount supplied—is to raise the price. This approach serves two purposes: it ensures that the scarce resource goes to its most highly valued use, and it helps signal where additional investment is likely to have the largest return. Charging a toll on an expressway at peak hours (or charging a higher toll at peak than off-peak periods) will cause drivers who do not value use of the highway at that time highly enough to use other roads, to travel at other times, or to take an alternative mode such as mass transit. It may also encourage such resourceconserving behavior as car-pooling, as groups form to share the tolls.

Toll financing poses two potential concerns. First, tolls might impose a hardship on low-income people needing to use a particular road at a particular time. But carefully designed subsidies might alleviate this problem to some degree. Second, because the appropriate structure and level of tolls depend heavily on local conditions, it is difficult to project how much revenue they could raise for the highway system as a whole. Still, these problems are not insurmountable, and solutions most likely will become evident as experience with toll roads increases.

The Administration's proposal sets the maximum Federal share for toll projects at 35 percent, compared with 75 percent for the National Highway System Program and 60 percent for the Urban and Rural Program. In light of the desirability of encouraging the use of tolls to improve efficiency, the reason for the low share for toll roads is not clear.

The ability to collect tolls without creating additional traffic tie-ups could be enhanced through research on intelligent vehicle/highway systems (IVHS, also known as "smart cars"), for which funding is increased substantially in the President's budget. Additional IVHS applications, as well as other promising research areas, are included in the Administration's proposal. It is fitting that the Federal Government plays a relatively large role in research and development in light of the many spillover benefits it provides.

CONCLUSION

The Administration's budget proposes no increases in program levels for highways in real (inflation-adjusted) terms until fiscal year 1996, but continues to build on the increase already enacted for the current fiscal year. Transit programs would be funded at slightly reduced levels from those provided in 1991 when measured in real terms. Imbedded in the proposed budget, however, are several proposals that would change the share of responsibilities among Federal, State, and local levels of government. The conceptual distinctions the Administration made in proposing the National and urban and rural programs bear close scrutiny, as does the proposed use of pricing mechanisms to relieve congestion.

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, DC., April 15, 1991.

Hon. Quentin N. Burdick,
United States Senate,
Chairman, Committee on Environment and Public Works, Washington, DC.

Dear Mr. Chairman:

I am pleased to provide the attached answers for the hearing record in response to questions submitted by the Senate Committee on Environment and Public Works following my testimony on March 5, 1991.

Sincerely,

JAMES L. BLUM
ASSISTANT DIRECTOR FOR BUDGET ANALYSIS

RESPONSES TO QUESTIONS FROM SENATOR GRAHAM

QUESTION. All of the testimony provided today explains that although Congress increased revenue into the Highway Trust Fund by increasing the motor fuels tax, spending increases are constrained by the discretionary programs cap. I would like to hear your thoughts and suggestions on taking the Highway Trust Fund off budget.

ANSWER. While it is not always clear what is meant by taking programs off-budget, we assume that this question addresses the possibility of giving the Highway Trust Fund programs a status similar to that given Social Security programs under the Budget Enforcement Act of 1990 (BEA). Given this status, spending and receipts of the trust fund would not be subject to the discretionary spending caps or the general "pay-as-you-go" requirement established by the BEA. Because trust fund tax receipts will exceed outlays in each of the next five years under CBO baseline projections, giving these programs off-budget status would slightly increase the on-budget deficit in each year.

This status would be consistent with the view of the Highway Trust Fund as a self-financing entity that should be subject only to internal financial constraints. Under the existing rules established by the BEA, the receipts going into the trust fund and the spending from the trust fund are included in different parts of the budget controlled by separate procedures. All spending from the trust fund is counted as nondefense discretionary spending controlled under caps set by the BEA, while changes to receipts are accounted for under the separate "pay-as-you-go" mechanism. Under this structure, increases in trust fund receipts cannot be used to offset increased spending. Giving these programs off-budget status would allow such offsets.

The arguments against giving these programs off-budget status involve a different view of the trust fund. Under this view, which is held by CBO, the Highway Trust Fund is simply an accounting mechanism, and spending on highway programs should not be given a special status. Decisions about spending on highways—as on any Federal program—should be made on the basis of the relative benefits to be derived, not on the basis of available earmarked revenues. At the same time, decisions about taxes should take into account factors beyond the level of spending on highways. The BEA increased fuel tax rates for deficit reduction purposes—placing part of the additional revenues in the general fund of the Treasury. Raising fuel taxes would also be a way of charging users for polluting the air.

QUESTION. The Administration has proposed authorizing the use of toll financing and set the maxImum Federal share for toll projects at 35 percent. What criteria would you suggest to the States for determining when a toll project is financially feasible?

ANSWER. To determine the financial feasibility of a toll project, a State would need to estimate the revenues and costs expected over the life of the project. This would entail projecting the volume of traffic that would use it, assuming tolls within a reasonable range. Particularly promising candidates for good revenue yields are roads in congested areas, where drivers are willing to pay to avoid delays. Tolls would have to cover only 65 percent of costs if the Federal Government pays the maximum share proposed by the Administration, including the cost of servicing any debt incurred to build the road (or to convert an existing untolled road to a toll facility).

Question. The President's proposal does not include the minimum allocation program. Please submit an analysis of how each of the minimum allocation States will be impacted under the President's proposal.

Answer. Under existing law, the minimum allocation program guarantees each State a minimum share of Federal-aid highway funds, based on the share of total Highway Trust Fund tax payments contributed by that State. Additional funds are provided to those States whose share would otherwise be below the guaranteed minimum. The following table shows the total apportionments provided to the 19 States that received minimum allocation funds in 1991 and each State's share of the total Federal funds covered by the minimum allocation formula. The table also shows the apportionments for each of these States, as estimated by the Department of Transportation, under the funding levels and apportionment formulas proposed by the President for 1992.

In general, the minimum allocation States benefit from the President's proposal. Each of these States would receive a greater amount of Federal-aid highway funds in fiscal year 1992, largely because the total funding proposed by the President is more than $2 billion greater than the 1991 level. Further, most of the States would also receive at least as great a share of Federal funds in 1992 as in 1991. As a group, these States would receive 51 percent of total apportionments in 1992 compared with 49 percent in 1991. Only six of the States—Arizona, Florida, Georgia, Indiana, North Carolina, and Ohio—would receive a smaller share of apportionments in 1992, and in each case the decline would be very small.

Impact of the President's Highway Reauthorization Proposal on Minimum Allocation States

(By fiscal year, dollar amounts in millions)

State	1991		1992		1992 less 1991	
	Total Federal-aid apportionments[a]	Percentage of Total	Estimated apportionments, Presidents proposal	Percentage of total	Dollars	Percentage of total
All States	12,291		14,643			
Minimum Allocation States						
Arizona	164	1.3	185	1.3	21	–0.1
Arkansas	138	1.1	172	1.2	34	0.1
California	1,048	8.5	1,357	92	309	0.7
Florida	498	4.1	546	3.7	48	–0.3
Georgia	375	3.1	418	2.9	43	–0.2
Indiana	265	2.2	272	1.9	7	–0.3
Kentucky	163	1.3	216	1.5	53	0.1
Michigan	321	2.6	389	2.7	68	[b]
Mississippi	140	1.1	166	1.1	26	[b]
Missouri	255	2.1	317	2.2	62	0.1
No.Carolina	321	2.6	370	2.5	49	–0.1
Ohio	427	3.5	487	32	60	–0.1
Oklahoma	179	1.5	207	1.4	28	[b]
Oregon	145	1.2	215	1.5	70	0.3
So. Carolina	149	1.2	198	1.4	49	0.1
Tennessee	220	1.8	271	1.9	51	0.1
Texas	772	62	958	6.5	186	0.3
Virginia	267	2.2	401	2.7	134	0.6
Wisconsin	211	1.7	354	2.4	143	0.7

Source: Congressional Budget Office using data from the Federal Highway Administration.

[a] Total apportionments guaranteed by the minimum allocation formula in fiscal year 1991. These amounts do not include Federal-aid funds that are allocated to the States on a discretionary rather than a formula basis.

[b] Less than 0.05 percent.

Responses to Questions From Senator Chafee

Question. Under the Administration bill's total funding levels, how many years can the highway program be reauthorized without extending the authorization of the trust fund taxes?

Answer. Future spending from the highway account is limited by a provision of law known as the Byrd rule. This provision limits the amount by which outstanding commitments can exceed the cash balance to no more than the next two years' receipts.

Under current law, Highway Trust Fund taxes are authorized through fiscal year 1995. If these taxes are not extended beyond that year, we estimate that highway spending programs could be authorized at levels proposed by the Administration through fiscal year 1994 without violating the Byrd rule.

Responses to Questions From Senator Lieberman

Question. Secretary Skinner has testified that the Administration's proposal significantly increased the Federal financial commitment. You have testified that in real terms (constant dollars) spending during the last five years and the 1992–1996 period would remain almost unchanged. Is it possible to reconcile your testimony with Secretary Skinner's statement?

Answer. An analysis of highway spending proposed by the President will yield different conclusions depending on the measure of highway spending used and the basis for comparison. Highway spending can be measured in terms of budget authority, obligations, or outlays, and can be considered in real or nominal dollars. CBO's statement seems to contradict that of Secretary Skinner only because our statement was based on a different measure of highway spending.

The Administration's proposal represents a real increase in budget authority and obligations over the 1992–1996 period compared with the previous five years, but actual spending—outlays—in real terms would be about the same in the two periods. Because of the time lag between obligations and spending, the proposed increases in obligations would produce real increases in spending only in later years.

Budget authority for programs funded from the highway account of the Highway Trust Fund is for the most part provided in authorization acts in the form of contract authority. The budget calls for new budget authority of $89 billion for these programs over the 1992–1996 period. Compared with the previous five-year period, this would be an increase of $17 billion, or 24 percent, in nominal dollars and an increase of about $2 billion, or 3 percent, in constant (1987) dollars. Measured in terms of budget authority, therefore, the President's proposal could clearly be described as an increase in the potential Federal financial commitment for highways. However, because the use of this budget authority is limited through caps on obligations, the growth in budget authority, by itself, is not a good indicator of the Federal financial commitment.

The President's proposal also represents a real increase in the Federal financial commitment for highways when measured in terms of obligations. Obligations for highway account programs are controlled by annual limits set each year in appropriation acts. CBO estimates that total obligations under the President's proposal would be about $90 billion over the 1992–1996 period. Compared with total obligations over the previous five years, this would be an increase of $19 billion, or 26 percent, in nominal dollars and $3 billion, or 5 percent, in constant dollars.

A third measure of the Federal financial commitment is the actual spending, or outlays, which when compared with tax receipts indicates the size of the annual budget deficit. There will be a considerable lag between any increase in budget authority or obligations for highway programs and the resulting increase in outlays. Nevertheless, outlays represent the magnitude of current program activity. Under the President's budget, CBO estimates that outlays from the highway account over the next five years would increase by $15 billion, or 22 percent, in nominal dollars compared with the previous period. In constant dollars, however, outlays during the two periods would be almost equal, as stated in our testimony.

Prepared Statement of Kenneth M. Mead

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to testify on issues concerning the Federal Highway Administration's (FHWA) budget request for fiscal year 1992 and Federal-aid highway program reauthorization proposal. As you know, the Administration's National Transportation Plan, issued a year ago, acknowledged, among other things, significant highway and bridge needs. The Department of Transportation (DOT) estimates that about $29 billion must be invested annually by all levels of government over the next 15 years to maintain the Nation's highways at 1985 conditions and meet bridge needs. While the plan recognized these needs, it lacked specific funding strategies and suggested a major shifting of financial burden to the States.

FHWA's fiscal year (FY) 1992 budget and reauthorization proposal offers an ambitious, yet conceptually sound strategic framework for helping States address important highway and bridge investment requirements through increased funding and more flexibility in using those funds. Our testimony today will focus on the proposed fiscal year 1992 through fiscal year 1996 Federal-aid highway program budget commitment and plan for restructuring the program. We will identify several areas where caution should be exercised as you consider the Administration's proposal. Our testimony draws upon a significant body of work, both completed and ongoing for this Committee and the Subcommittee on Water Resources, Transportation and Infrastructure.

Overall, our work suggests the following:

—First, although FHWA's proposed $86.8 billion highway program is $18 billion over the $68.8 billion prior Federal-aid highway program authorization, the proposed funding level could be increased by an additional $5.1 billion between fiscal year 1992 and fiscal year 1996. This is because revenues and interest credited to the highway account of the Highway Trust Fund, including carry-over balances from prior years, will exceed commitments.

—Second, pressures for budget deficit reductions will dim the prospects of obtaining the large increases in program funding levels planned for the latter years of the Administration's proposal. The budget's proposed annual funding levels range from $15.8 billion to $20.1 billion over the next five fiscal years, with the bulk of the proposed increase for the reauthorization period occurring in fiscal year 1995 and fiscal year 1996. These factors argue for effectively targeting Federal funds to the most critical needs.

—Third, we agree with the Administration's premise that States must increasingly assume a larger portion of highway costs. However, we would urge that any significant shifting of financial burden to the States by reducing the Federal share for most highway programs, as the Administration is proposing, be phased-in over time. Many States' finances are already severely constrained. As a result, the increased matching requirements may make it difficult for some States to actually realize the benefits of proposed funding increases.

—Fourth, consolidating most categorical highway programs into a two-tiered system would allow States greater funding flexibility to better target their Federal dollars to address their individual needs. However, the proposal could better address such fundamental problems as balancing States' attention towards preservation with that of capacity enhancement.

—Lastly, while the Administration's reauthorization proposal offers potential benefits such as funding flexibility, our work indicates several other issues that the new highway program should address to improve program effectiveness. These include using an improved methodology far identifying deficient bridges to effectively target Federal funds to the most critically deficient bridges, and ensuring that States are not adversely affected by changes in funding distribution formulas. In addition, Federal guidance will be needed for the States to successfully implement highway/mass transit funding flexibility.

PROPOSED FUNDING INCREASES WILL BE AFFECTED BY SPENDING CAPS AND OBLIGATION CEILINGS

In 1988, according to DOT, over 40 percent of the Interstate system—the Nation's premier road system—was in poor or fair condition, and 40 percent of bridges were structurally deficient or functionally obsolete. In addition, 68 percent of urban Interstate peak hour travel was under congested conditions.

In recognition of these problems, the Administration's budget and reauthorization plan for fiscal year 1992 to fiscal year 1996 propose spending about $87 billion—about $18 billion more than was authorized in 1987 for the previous five-year highway Act. While the proposed reauthorization represents an average annual authorization of $17.4 billion compared with $13.8 billion during the previous five-year period—DOT estimates that about $29 billion will be needed by all levels of government annually over the next 15 years just to maintain the Federal-aid system at 1985 condition levels and to improve or replace bridges.

As Appendix I shows, there will be about $8.1 billion in uncommitted funds remaining in the highway account of the Highway Trust Fund at the end of fiscal year 1996. This balance is due to the excess of estimated trust fund revenues—tax receipts plus interest—over previous commitments. FHWA has indicated that a safety cushion of about $3 billion is needed in the Highway Trust Fund to guard against unforeseen decreases in highway user tax revenues or inaccurate revenue projections. Subtracting this cushion from the anticipated $8.1 billion balance leaves an additional $5.1 billion that could be made available over the five- year reauthorization period.

Legislation to reauthorize the Federal highway programs will likely provide specified amounts of contract authority [1] for the highway programs. Traditionally, however, the actual spending or outlays for the Federal-aid highway programs has been controlled by obligation limitations established annually by Transportation Appropriations Acts. In terms of the Federal-aid highway program, the discretionary spending caps contained in the Omnibus Budget Reconciliation Act of 1990 and the Budget Enforcement Act (BEA) of 1990 apply only to highway outlays. Highway authorization levels, however, are not constrained by the discretionary caps.

In fiscal year 1992 and fiscal year 1993, the BEA provides discretionary spending limits in three categories: defense, international and domestic. In these years, outlays from the highway programs, which are included in the domestic category, must compete with outlays from other domestic discretionary programs such as health, energy and education for the limited amount of outlays under the domestic spending cap.

In fiscal years 1994 and 1995, there will only be a single cap on all discretionary spending. The highway program in these years will then have to compete with all discretionary programs, including defense, for the limited funds available. The Administration's proposal assumes that $1.4 billion of the total $4.3 billion proposed annual funding increase over the five-year period will be achieved between these two years. The Administration's proposal also assumes that an additional $2.0 billion of the total five-year annual funding increase will be achieved in fiscal year 1996 after all discretionary spending caps are slated to expire.

Even though the BEA does not provide discretionary spending limits for fiscal years after 1995, it is safe to assume that there will be continued pressure to control spending and reduce the deficit in 1996 and subsequent years. If the Administration's proposal for the highway reauthorization bill is enacted, the competition for limited funds under the BEA discretionary spending limits, coupled with the likely constraints on spending in fiscal year 1996, raise questions about the level of highway funding that will actually be made available over the five-year period.

Reductions In Federal Cost Shares For Highway Projects Should Be Phased-In

We support increased leverage of Federal funds through greater State cost sharing responsibility. However, we believe that a reduction in the Federal cost share for Federal highway projects, as proposed by the Administration, should be phased-in over time. The Administration's reauthorization proposal would require an increased State share for projects under most program categories. For example, under the current program the Federal share for Interstate projects is generally 90 percent, and the Federal share for primary, urban, and secondary system projects is 75 percent. Under the Administration's proposal, however, the existing 75-percent Federal share, which applies to projects on about 700,000 miles of the Federal-aid system, would be reduced to 60 percent. The States would be responsible for the remaining 40 percent.

As Appendix II shows, on the average, States already finance the construction and maintenance of 78 percent of our highways. Virtually all of the States have raised gasoline taxes over the last 10 years. States that have relatively high gasoline taxes, large geographical areas, yet smaller populations, as well as those with weak economic bases may face difficulties in assuming more financial responsibility through a significant reduction in the Federal share for Federal-aid highway projects. As a result, a phase-in of any reductions in Federal cost shares may be advisable.

Toll Financing Is Helpful But Is Not a Financial Panacea

In a recently issued report to this Committee, we reported that the Toll Facilities Pilot Program demonstrated that tolls, while not a financial cure-all, can help States increase the total amount of State funds available for highway construction and maintenance on selected Federal-aid highways.[2]

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[1] Contract authority is contained in Federal-aid highway authorization acts and is made available to spend before an appropriations action. Contract authority, however, is unfunded and Congress must subsequently appropriate the funds necessary to liquidate (pay) the obligations incurred by the States under contract authority.

[2] *Highway Financing: Participating States Benefit Under Toll Facilities Pilot Program* (GAO/RCED-91-46, December 17, 1990).

Financing Federal highway construction through the use of tolls is a significant development, because their use for this purpose has generally been prohibited. Funding maintenance on Federal-aid highways with tolls is also an important departure from current Federal-aid financing practices since States have traditionally financed highway maintenance without Federal assistance. Our work shows that keeping the Federal financial participation on toll projects significantly lower than that set for non-toll Federal-aid highway construction is important. A lower Federal funding share will most likely limit toll use to roads with a high volume of traffic that generate sufficient revenues to make them financially feasible. Therefore, while the use of toll financing as an additional revenue source will benefit selected highway projects, we would caution against viewing this method as a panacea for Federal-aid highway financing because of its potentially limited applicability.

PROGRAM RESTRUCTURING BETTER FOCUSES FEDERAL ASSISTANCE BUT NEEDS STRENGTHENING TO ADEQUATELY ADDRESS HIGHWAY PRESERVATION

Our work suggests that restructuring the Federal highway program into a two-tiered system, as proposed by the Administration, will better focus Federal assistance on highways of critical importance to the Nation. This contrasts sharply with the current program which provides Federal assistance through several separately funded categorical programs including the Interstate, Interstate 4R [3], primary, secondary, and urban programs. In addition, through the increased funding flexibility offered, a restructured program will allow States to better target their Federal assistance to where it is really needed. The Administration's highway reauthorization proposal also addresses the need to draw States' attention to preservation of highways by establishing a higher Federal share for preservation activities compared with highway capacity enhancement activities. However, there are no assurances that preservation will be a high priority.

Program Restructuring Will Better Focus Federal Highway Funds

To maximize the flexibility in how Federal highway funds can be used and better focus Federal funds on highways important to the Nation, the Administration proposes to restructure the Federal-aid highway program into essentially a two-tiered system. The first tier, the National Highway System (NHS) would consist of approximately 150,000 miles of highway, including the Interstate system and a portion of the primary highway system. The second tier would be a new block grant—the Urban/Rural Program. This is in contrast to the current categorical system in which Federal assistance is provided through several separately funded programs. Our work has shown that this type of restructuring—that is, consolidating program categories into a more flexible system—would allow States to customize their spending of Federal funds.

We reviewed a demonstration program authorized in 1987 by the Congress in which five States—California, Minnesota, New York, Rhode Island, and Texas—were allowed to pool money from the urban, secondary, and bridge programs and use the funds on any one or a combination of the three programs.[4] At the time of our June 1990 report, we found that three States had taken advantage of the funding flexibility to target a substantial portion of their pooled funds towards a particular program area.[5] This not only allowed them to better target their Federal funds where the need was greatest but also provided them additional flexibility to address high- priority highway construction and preservation needs. It should be noted, however, that the demonstration did not change the Federal share of the costs for projects undertaken.

Our examination of States' use of transfers of funds between program categories further supports the benefits of a more flexible program. Currently States are permitted to transfer a limited percentage of their Federal highway funds between certain program categories.[6] Thirty-five (35) States have taken advantage of these provisions to transfer over $800 million over the last three fiscal years. A tier system, as proposed by the Administration, in which funds could be used as needed within each tier, would offer some of the flexibility needed to facilitate the realignments now sought by States through fund transfers.

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[3] Interstate resurfacing, restoration, rehabilitation, and reconstruction (I- 4R). These funds are used for Interstate preservation and capacity enhancement.

[4] *Transportation Infrastructure: States Benefit From Block Grant Flexibility* (GAO/RCED-90-126, June 8, 1990).

[5] The remaining two States, which began participating later than the others, also expect to realize benefits during the remainder of the demonstration.

[6] For instance, currently a State may transfer 20 percent of its I-4R funds to the primary program. A higher percentage may be transferred with FHWA approval.

As Appendix III shows, most fund transfers have been from the I-4R to the primary highway program. Because the majority of the primary highway system—where States have identified the most significant needs—will be in the Urban/Rural tier and not the NHS, we support the Administration's proposal to allow fund transfers between the two tiers.

Highway Preservation Should Be Better Balanced With Capacity Enhancement

While a restructured program offers the benefits of more focus on the Interstate system and selected primary roads, as well as increased flexibility in how funds can be used, we believe that the Administration's highway proposal does not adequately address the fundamental need to preserve the Federal investment on the Interstate system. Specifically, the proposal does not provide assurances the Interstate will be preserved.

Clearly, highway preservation will increasingly compete with capacity enhancement for Federal resources. In 1989, DOT reported that from $4.7 billion to $6.1 billion a year would be needed between 1987 and 2005 by all levels of government to address Interstate preservation needs. In contrast, the current Federal commitment to I-4R activities is only $2.8 billion annually. Reviewing the DOT estimate, we observed that up to 50 percent of the I-4R investment requirements will be for major lane widening projects—that is, capacity enhancement. At the same time, Interstate preservation needs are also accruing; in 1988, over 40 percent of the Interstate highway system was in fair or poor condition.

The Administration's proposed highway program recognizes the importance of Interstate preservation by allowing a 90-percent Federal share for preservation-type activities as compared to 75-percent share for reconstruction. In addition, the plan would require States to develop Pavement Management Systems to assist them in optimizing their highway maintenance and capital improvement decisions.

While these are important steps, they may not be enough. States will continue to have wide latitude in selecting and programming preservation and capacity enhancement projects. Consequently, in light of competing capacity enhancement and preservation demands, there are no assurances that the approximately $130 billion investment in the Interstate will be protected. Although the Secretary of DOT may require States to program NHS funds to bring their Interstate highways up to adequate conditions, the Administration's plan does not require that a minimum portion of a State's NHS funds be devoted to either preservation or capacity projects. As a result, States may increasingly undertake capacity enhancement activities in lieu of highway preservation activities. In our final report to the Congress, we will discuss options the Congress may wish to consider in addressing the need for minimum investment levels in Interstate preservation.

I would now like to discuss some other issues which are not adequately addressed by the Administration's proposal.

CHANGES NEEDED TO FURTHER IMPROVE HIGHWAY PROGRAM EFFECTIVENESS

The new highway program should address several other issues to improve program effectiveness. These issues include using an improved criterion to effectively target Federal bridge funds to the most critically deficient bridges, ensuring that changes in highway funding apportionment factors minimize potential adverse impacts on States, and providing guidance to States for the successful implementation of highway/mass transit funding flexibility. Each of these will be important for ensuring that funds will be used in the most effective way possible, regardless of the level of highway funding made available.

A Level-of-Service Methodology Would Better Target Federal Funds For Bridge Improvements

In 1989, DOT reported that 40 percent (about 238,000) of the Nation's approximately 578,000 bridges were structurally deficient or functionally obsolete and that over $50 billion would be needed to bring them up to current standards. Since 1987, the Federal Government has authorized States to spend about $1.4 billion a year to replace or rehabilitate bridges. Under the Administration's reauthorization proposal, apportioned bridge funds over the next five-year period will range from $1.6 billion to $2.3 billion a year.

The Administration has also proposed adopting a Level-of-Service (LOS) methodology to identify deficient bridges eligible for Federal funding. Our ongoing work for this Committee suggests that LOS is significantly more effective in identifying deficient bridges than FHWA's current methodology—called the sufficiency rating—because it not only establishes adequacy standards for bridges on different classes of highways,[7] but gives more adequate consideration to traffic volume and detour length. However, FHWA does not plan to take full advantage of the benefits that LOS can provide.

Under its LAS methodology, FHWA does not plan to gauge the magnitude of problems with each bridge by assigning a- numerical score based on its deficiencies. Consequently, all deficient bridges that FHWA identifies as being eligible for funding will be considered equally deficient regardless of the extent of their deficiencies. If FHWA assigned each bridge a deficiency rating and ranked the bridges from most to least deficient, it could link the most deficient bridges with the available resources and categorize them by highway system. By using LOS to make this type of analysis, FHWA could provide the Congress more accurate information to target Federal dollars to highway systems that have the most critical bridge needs.

Our analysis of the National Bridge Inventory (NBI) using a LOS methodology shows that the Administration's proposal to require States to spend between 10 and 25 percent of their Federal bridge funds on local bridges (primarily off-system bridges) is questionable. Our LOS analysis showed that over 90 percent of the Nation's most critically deficient bridges are located on the proposed National Highway System and Urban/Rural Program (primarily on-system bridges). To determine funding priorities by highway system, we also coupled our NBI analysis with the proposed $9 billion, five- year bridge replacement and rehabilitation program. As Appendix IV illustrates, this analysis showed that 72 percent of the proposed bridge funding would be needed for NHS bridges, about 27 percent for Urban/Rural bridges, and only about 1 percent for local (primarily off-system) bridges.

In our final report to this Committee, we will make recommendations that the Congress may wish to consider in better targeting Federal bridge funds to the most critical bridge needs.

Apportionment Factors Should Minimize Potential Adverse Impacts

We reported in 1986 that the factors used to apportion certain highway funds to the various States—land area, urban and rural population and postal road miles—are not closely related to the needs of States to preserve today's highway system.[8] These factors were established between 40 and 70 years ago and are not the be indicators of highway use. Rather factors such as motor fuel consumption and vehicle miles travelled better reflect how much highways are being used. Because these factors can be updated frequently than those currently used, they would also improve the responsiveness of Federal assistance to changing State needs. line with our 1986 recommendations, the Administration's proposed highway program would place greater weight on highway use facto when apportioning Federal highway funds to the States.[9]

However, as we suggested in 1986, the Congress may wish to provide for a transition period during which changes in State funding would be gradually introduced so as not to adversely impact individual States. An individual State's apportionment depends the factors used to apportion funds and the weights given those factors. Some States will receive a larger share and some stat will receive a smaller share of available funding depending on weight given particular apportionment factors.

The Administration's proposed fiscal year 1992 apportionments of $1 billion are about 35 percent greater than fiscal year 1991 apportionment levels of $9.3 billion. This increase in funding allows the apportionment formulas to be changed without significant reductions in funding for any State. For example, changes in State apportionments range from a 103 percent increase in one State to a 1 percent decline in another. Although the proposed 35 percent increase in authorized funding appears to prevent significant reductions in apportionments for individual States, a smaller increase in the authorization level could result in significant cuts for some States.

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[7] Functional classification groups streets and highways according to the service they are intended to provide. The hierarchy of functional classification consists of principal arterials (for main movement), minor arterials (distributors), collectors, and local roads and streets. The roads making up the functional classifications differ for urban and rural areas.

[8] *Highway Funding: Federal Distribution Formulas Should Be Changed* (GAO/RCED-86-114, March 31, 1986).

[9] NHS funds would be apportioned 70 percent on motor fuel use, 1 percent on public road mileage, and 15 percent on land area. Apportionments would be adjusted upwards for those States with population density. The maximum adjustment would be 50 percent for those States with a population density of under five persons per square mile.

Guidance Needed For Successful Implementation of Highway/Mass Transit Funding Flexibility

One of the flexibilities included in the Administration's proposed highway program is the eligibility of mass transit capital projects for Urban/Rural highway funding. Urban Mass Transportation Administration mass transit projects would likewise be eligible for highway funding, as long as there was a "balanced local approach" for funding transit needs. We support an intermodal investment strategy for responding to infrastructure needs. However, as we reported in 1988, the ability to successfully implement an intermodal strategy is not well served by DOT's practice of preparing separate needs studies for highways, bridges, and mass transit.[10] In addition, DOT's separate modal approach precludes the effective ranking of intermodal needs and development of an integrated transportation strategy. Therefore, the Federal Government's ability to successfully implement intermodalism may be limited by the lack of a long-term investment strategy.

Our preliminary work suggests that the criteria used to assess highway and transit projects may not easily facilitate choices between the two modes. Therefore, guidance to the States may be needed to successfully implement highway/mass transit funding flexibility. Both Federal and metropolitan planning organization (MPO) officials agreed problems could be encountered because of the differences between the criteria. In general, highway criteria is oriented towards movement of vehicles, while transit criteria oriented towards movement of people. As a result, as one MPO official stated, it is generally easier to demonstrate the benefits of increased highway capacity and how new or modified highways would increase capacity, than to demonstrate the benefits of increased transit capacity through acquisition of additional buses. Other MPO officials have also noted difficulties in funding transit projects compared with highway projects. Consequently, highway projects may receive more funds than transit projects when one project is ranked against another.

At the completion of our ongoing work for this Committee, in will offer recommendations on how to use the proposed funding flexibility between highways and mass transit more effectively.

CONCLUSIONS

In summary, the Nation faces significant challenges in meeting burgeoning highway and bridge needs—an estimated $430 billion investment requirement over the next 15 years. The budget deficit reduction environment will force tradeoffs between highway and other Federal programs in order to fund the increases propose by the Administration. This could be particularly difficult in the proposed five-year program because the largest increases are scheduled for the out years when the three domestic discretionary program spending caps expire and Federal -aid highway program spending must compete with all other Federal discretionary programs. A phased-in approach to any increases in State cost share requirements for Federal-aid projects would also be desirable to ease States' financial burden.

We believe a two-tiered program will provide States more flexibility in meeting their highway and bridge needs. However, the Administration's proposed highway program does not adequately ensure that preservation will be a high priority in light of States' anticipated needs to enhance highway capacity. Although the Administration's proposal provides an incentive for States to fund highway preservation projects, a minimum level of investment in Interstate preservation may ensure continued attention to Interstate preservation.

Finally, our work suggests several additional areas where program effectiveness can be increased. These include designing a more efficient method to allocate bridge funds; ensuring that apportionment formulas minimize adverse impacts on States, and providing guidance for the successful implementation of highway/mass transit funding flexibility. Each of these will help to ensure that a more effective use is made of scarce transportation funding.

This concludes my testimony. I will be glad to answer any questions.

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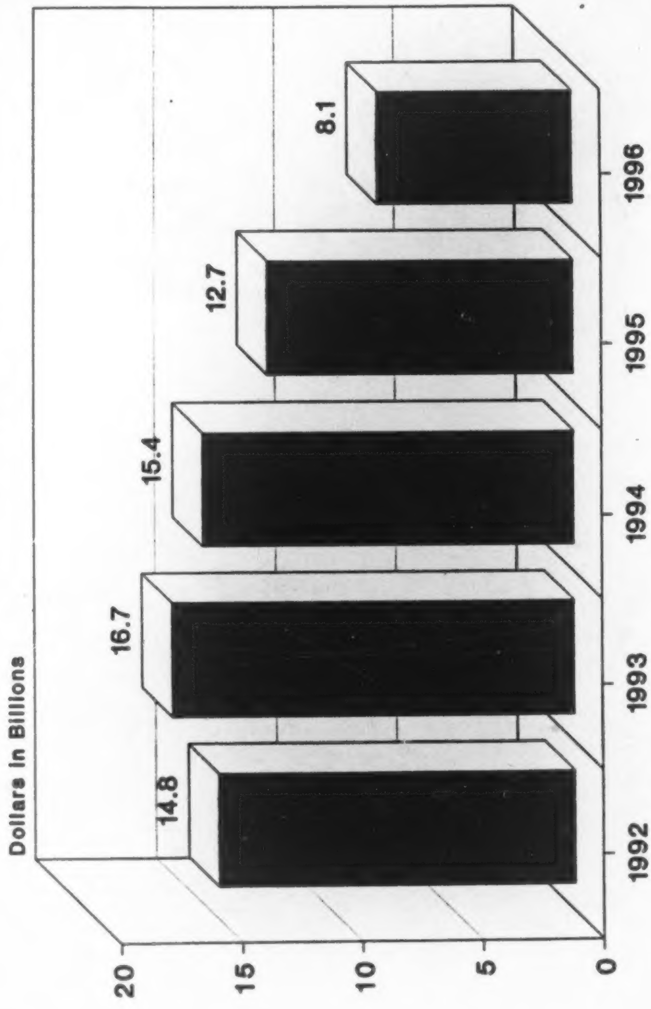
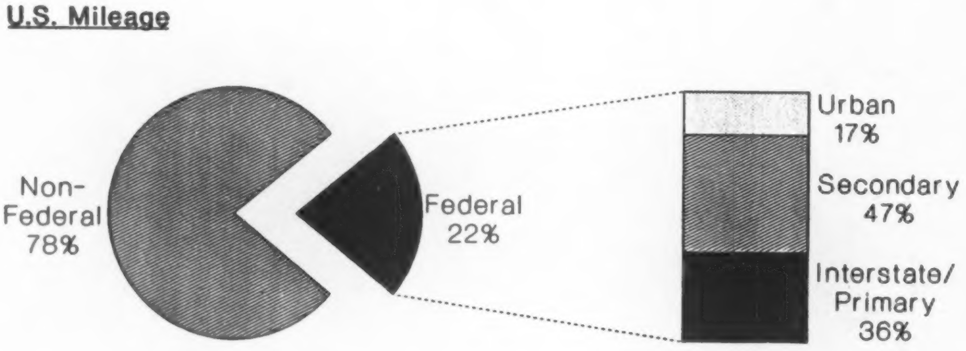
[10] *Transition Series: Transportation Issues* (GAO/OGC-89-25TR, November 1988).

Projected Uncommitted Highway Funds (FY 1992-1996)



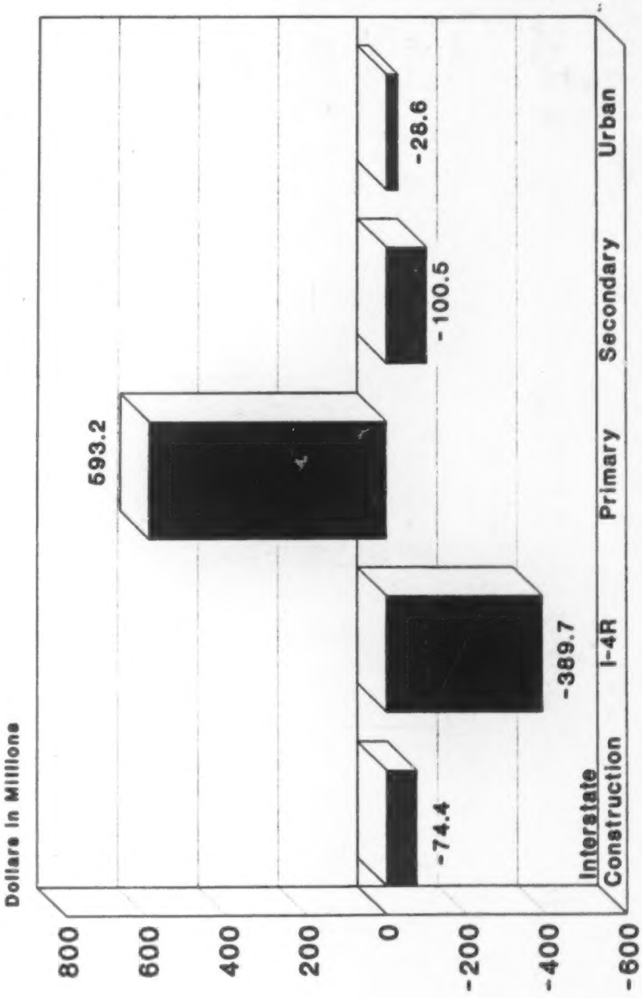
Source: U.S. DOT, Office of the Secretary.

Total U.S. Federal-Aid and Non-Federal Aid System Mileage (1989)



Source: U.S. DOT, Federal Highway Administration.

States' Transfer of Highway Funds
(October 1, 1987 - September 30, 1990)*



*Excludes Rail-Highway Crossings & Hazard Elimination.
Source: U.S. DOT, Federal Highway Administration.

GAO Analysis of Bridge Investment Requirements By Highway System (FY 1992-1996)

System	Required Investment (In Billions)	% of Total
National	$5.937	71.5%
Urban/Rural	$2.260	27.2%
Local	$ .101	1.2%
Total	$8.298*	100%

*Figure expressed in 1992 constant dollars using a 4 percent annual inflation rate over the 1992-1996 reauthorization period (excludes discretionary bridge funds).

Source: U.S. DOT, Federal Highway Administration.

RESPONSES TO QUESTIONS POSED BY THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS FOR KEN MEAD, U.S. GENERAL ACCOUNTING OFFICE

The following are responses to selected questions posed by various members of the Senate Committee on Environment and Public Works following GAO's testimony of March 5, 1991.

RESPONSES TO QUESTIONS FROM SENATOR LAUTENBERG

QUESTION. You note in your statement that the Administration's proposal allows some flexibility between highway and transit funding. I'm concerned that this flexibility is skewed in the favor of highways. You also note that there's little or no guidance from DOT on how this should happen; that is, how funds could be best used, among highways, transit, and maybe even rail. What specific steps would you recommend to address this problem? Would you agree that the current flexibility proposals is, at best, a mixed blessing for States?

ANSWER. As we testified, the Administration's proposed highway and mass transit programs offer significant opportunities for States and localities to use Urban/Rural Program highway funds for mass transit purposes and transit funds for highway purposes. We support an intermodal investment strategy to help meet transportation infrastructure problems. However, as we noted, the ability to successfully implement this strategy is not well served by DOT's current practice of preparing separate needs studies for highways and mass transit. Integrating these studies would be an important first step in developing a national, intermodal investment strategy. Such a strategy will enable the Federal Government to determine the most effective use of Federal highway and mass transit funds.

To ensure both highways and mass transit have equal opportunities for use of flexible funds, both the Federal Highway Administration and the Urban Mass Transportation Administration will need to provide guidance to States, Metropolitan Planning Organizations, and others regarding side-by-side ranking and comparison of highway and mass transit projects. Such guidance should identify the methodologies that are available, or are being developed, for making these rankings and comparisons, and the methodologies for measuring and evaluating the expected results of projects undertaken with flexible funds. Successful implementation of funding flexibility will also require that guidance be provided for effectively integrating highway and mass transit planning and programming processes to ensure that both highway and mass transit alternatives are considered in addressing transportation problems. These actions will provide the basis for helping to alleviate any current biases toward either highway or mass transit programs. Our ongoing work for the full Committee will offer recommendations on how to use the proposed funding flexibility more effectively.

In response to your second question, the Administration's proposal does not require States or localities to use highway funds for transit purposes or transit funds for highway purposes. Funds in each program may continue to be used in meeting only highway or transit needs as each programs' funds are made available. However, subject to certain requirements, funding flexibility offers States opportunities to better target their Federal funds to where their transportation needs are greatest—whether highways or mass transit. The requirements include such things as only Urban/Rural Program and 15 percent of National Highway Program highway funds being eligible for transit projects and that State or local matching funds be available for use on either highway or transit projects. The latter can be waived if a sufficient dedicated source of transit funding is available to meet transit needs. For areas under 200,000 population, a State Governor must also certify that there are no unmet transit needs before transit funds can be used for highway projects. While these requirements may affect a State's ability to fully realize the benefits of funding flexibility, it may cause States to critically evaluate the sources and uses of its highway and mass transit funds and make changes that facilitate realization of funding flexibility advantages.

You and I are in agreement in that we don1t think, that the existing apportionment formula best addresses actual needs. There's got to be more focus on actual use.

The problem with the Administration's proposal is that it would effectively penalize States that act to reduce auto traffic. If you take 40 people out of their cars and put them into a bus, they're still using the road; but in a more fuel-efficient manner. And, the State would lose money because of that.

QUESTION. Would you support some sort of a "hold-harmless" provision, which would protect States from suffering this kind of loss?

Answer. If a hold harmless permanently guarantees that a State would receive no less than it received in the past, it would then prevent the allocation of Federal funds in accordance with highway need indicators. A temporary hold harmless, on the other hand, would allow States to adjust to any increases or decreases in their Federal-aid allocation and promote an orderly transition to a new formula.

As travel shifts from cars to more fuel-efficient modes such as mass transit, a formula should reflect such changes. This is achieved to some extent in the Mass Transit Program. Under the bus apportionment formula, half the funding allocated for buses is based on bus miles travelled. And, under the Rail formula sixty percent is allocated based on vehicle miles travelled. Therefore, a State that experiences a shift from cars to mass transit will, other things being equal, receive a larger share of mass transit funding.

An option that may warrant further study would be to revise the highway formulas to more heavily weigh diesel fuel consumption compared to gasoline. This would reflect both bus usage and the greater damage that heavy vehicles impose on road surfaces. In addition, if vehicle miles travelled were used in conjunction with fuel consumption in the formula, it may be appropriate to more heavily weigh bus VMT because buses impose more road damage than cars.

Responses to Questions From Senator Graham

Energy

Transportation policy in the United States is clearly affected by the National energy policy submitted by Secretary Watkins and President Bush. Likewise, our transportation policy has a major impact on energy. For those who doubt the significant linkage between transportation and energy need only remember that transportation uses 60 percent of all petroleum consumed in the U.S. Because of the need for a strong coordinated program, I would like to explore the nexus, as you see it, between energy and transportation policies.

Question. What do you see as the major areas of coordination?

Answer. Currently, the transportation sector in the United States is 97 percent dependent on petroleum for its energy source and accounts for about two-thirds of all petroleum consumption. According to the Department of Energy (DOE), without further efficiency improvements, energy demand in the transportation sector could almost double by the year 2030. For example, energy consumption by aircraft is expected to increase by over 100 percent, heavy truck usage by 80 percent, and car and light truck usage by 45 percent. Cars and light trucks are the largest transportation users of petroleum in the United States.

Given the increasing dependence on petroleum to meet our transportation demands, the need to find new ways to reduce consumption in the transportation sector is evident. Through coordination and cooperation of their activities that relate to efforts to control petroleum usage, DOE and the Department of Transportation (DOT) can contribute more effectively to the Nation's efforts to reduce energy consumption in the years to come. Major areas of coordination would include

—Efforts to develop more efficient, fuel diverse automotive technologies that can move people and products more effectively and with less pollution. Such technologies include gas turbine and advanced diesel engines, high performance electric vehicles, as well as engines that run efficiently and safely on alternative fuels, such as ethanol, methanol, and propane. Also, additional information is needed on how alternative fuels perform under daily real world usage.

—Development of magnetic levitation as an alternative power source. DOE, DOT, and the Corps of Engineers have begun the National Maglev initiative to examine the potential for and economic viability of magnetic levitation technology in the United States. Magnetic levitation has the potential to provide efficient high speed travel at a reasonable cost. Maglev trains that reach speeds of more than 300 miles an hour could become significantly more efficient than air travel and reduce oil consumption since it is electrically powered.

—Increasing the public's awareness of the need to reduce petroleum consumption through such things as purchasing and maintaining fuel efficient vehicles and adopting fuel efficient driving habits. Other areas where more can be done to change driving habits include the use of high occupancy vehicle lanes, car and van pools, and the use of mass transit.

DOE and DOT also need to closely coordinate the evaluation of the Corporate Average Fuel Economy (CAFE) standards that is being conducted by the National Academy of Sciences. The study is looking at the ability of the automobile industry

ANSWER. If a hold harmless permanently guarantees that a State would receive no less than it received in the past, it would then prevent the allocation of Federal funds in accordance with highway need indicators. A temporary hold harmless, on the other hand, would allow States to adjust to any increases or decreases in their Federal-aid allocation and promote an orderly transition to a new formula.

As travel shifts from cars to more fuel-efficient modes such as mass transit, a formula should reflect such changes. This is achieved to some extent in the Mass Transit Program. Under the bus apportionment formula, half the funding allocated for buses is based on bus miles travelled. And, under the Rail formula sixty percent is allocated based on vehicle miles travelled. Therefore, a State that experiences a shift from cars to mass transit will, other things being equal, receive a larger share of mass transit funding.

An option that may warrant further study would be to revise the highway formulas to more heavily weigh diesel fuel consumption compared to gasoline. This would reflect both bus usage and the greater damage that heavy vehicles impose on road surfaces. In addition, if vehicle miles travelled were used in conjunction with fuel consumption in the formula, it may be appropriate to more heavily weigh bus VMT because buses impose more road damage than cars.

RESPONSES TO QUESTIONS FROM SENATOR GRAHAM

Energy

Transportation policy in the United States is clearly affected by the National energy policy submitted by Secretary Watkins and President Bush. Likewise, our transportation policy has a major impact on energy. For those who doubt the significant linkage between transportation and energy need only remember that transportation uses 60 percent of all petroleum consumed in the U.S. Because of the need for a strong coordinated program, I would like to explore the nexus, as you see it, between energy and transportation policies.

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DOE and DOT also need to closely coordinate the evaluation of the Corporate Average Fuel Economy (CAFE) standards that is being conducted by the National Academy of Sciences. The study is looking at the ability of the automobile industry to further increase fuel economy while meeting new emissions requirements, as well as safety standards. The study could have a significant impact on changes that will effect vehicles produced in the mid- to late 1990's. A number of key issues must be addressed, including whether major decreases in vehicle size and weight to improve emissions and fuel economy would increase the risk of deaths and injuries to drivers and passengers involved in automobile accidents.

Question. Do you see the need to set specific goals and standards for reducing energy use in transportation?

Answer. GAO generally endorses, where appropriate, the use of clearly defined goals and standards, along with a plan and strategy to achieve them. Goals and objectives provide a bench mark against which to monitor and measure progress. Through monitoring progress policy makers and program managers are provided information that may indicate the need to shift program emphasis, revise the goals or standards, or make other changes to facilitate the achievement of the desired results. The corporate average fuel economy (CAFE) standards provide a good example of the benefits that can be achieved by establishing realistic attainable standards. The first CAFE standard established by the Congress—18 miles per gallon-went into effect in 1978 and has been increased incrementally since that time to the current 27.5 miles per gallon. During this time period, the average new-car tested mileage increased from 19.9 to 28.1 miles per gallon.

Question. What is the Federal Government doing to serve as a role model in the efficient use of energy in transportation, through the purchase of energy efficient vehicles and other measures?

Answer. Under the Alternative Motor Fuels Act of 1988, Federal agencies beginning in fiscal year 1990 are required, to the maximum extent practical, to purchase passenger automobiles and light duty trucks powered by alternative fuel sources, including alcohol powered vehicles, duel energy vehicles, natural gas vehicles, or natural gas duel energy vehicles. The Secretary of DOE, however, has not established goals on the numbers or percentages of Federal purchases that should be alternative fuel vehicles. Large purchases of alternative fuel vehicles by the Federal Government could increase manufacturer incentives to produce a variety of such vehicles in the future. The act also required DOE to study the use of alcohol and natural gas in heavy duty trucks, and to test, in cooperation with the Environment Protection Agency and the National Highway Traffic Safety Administration, the use of alcohol and natural gas in buses.

In addition, the Clean Air Act Amendments (CAAA) of 1990 took steps to encourage the use of clean burning alternative fuels that will reduce emissions and dependence on imported oil. The amendments include requirements to reformulate and oxygenate gasoline and set up pilot and fleet programs that may lead to greater use of alternative fueled vehicles. For example, in 22 urban areas fleets of 10 or more cars and light to medium trucks will be required to meet stricter emissions standards. As a result of the CAAA and other measures taken by the Federal Government, DOE anticipates that nearly all gasoline sold in this country will be reformulated by the year 2000, and that U.S. oil consumption will be reduced by over 500 thousand barrels a day. DOE also expects that its National Energy Strategy, in conjunction with CAAA requirements, could displace over two million barrels a day by 2010.

The Federal Government also encourages the efficient use of energy through various research and development programs that bring together the private sector, colleges and universities, non-profit groups, and other governmental agencies. Such efforts provide incentive to develop new energy efficient technology and demonstrate the Federal Government' s resolve in addressing the need to reduce our dependence on foreign oil. Technological advances developed through such efforts will benefit the quality of life for future generations. For example, Intelligent Vehicle Highway System research and demonstration projects currently underway are expected to contribute substantially to reducing congestion and traffic delays, and thereby reduce energy use and increase highway safety.

Highway Trust Fund

Question. All of the testimony provided today explains that although Congress increased revenue into the Highway Trust Fund by increasing the motor fuels tax, spending increases are constrained by the discretionary programs cap. I would like to hear your thoughts and suggestions on taking the Highway Trust Fund off budget?

Answer. Proponents of increased Highway Trust Fund spending have recommended taking the Trust Fund off-budget, or if they remain on-budget, exempting them from Gramm-Rudman-Hollings sequestering. Such proposals to increase spending by "freeing up" the trust funds overlook the central point that there is only one overall Federal budget and that the money in the fund is needed to meet existing or imminent commitments. Because the congressional budget process sets limits on budget authority and outlays by budget programs, increased spending out of the Trust Fund would require that other programs cut spending so as not to increase the deficit.

GAO believes that trust funds should be excluded from the unified budget only in cases where the Federal Government holds the funds in a fiduciary trust for others, the customary meaning of a trust fund.[1] This is not the case for the Highway Trust Fund. We are concerned that creating off-budget entities to carry out governmental functions would avoid the discipline of the budget process. Such entities can be a serious threat to the integrity of the government' s budget and financial management systems. If off-budget accounts are allowed to proliferate, they will produce grave doubts about the credibility of the government's reports on its financial operations' and condition. Reduced credibility will make it even more difficult for decisionmakers and the public to understand and deal meaningfully with the overriding problem of the budget deficit.

Toll Financing

The Administration has proposed authorizing the use of toll financing and set the maximum Federal share for toll projects at 35 percent. Your testimony supports the Administration's proposal to set a low maximum for Federal participation in toll projects. You explain that a lower Federal funding share would most likely limit toll use to roads with a high volume of traffic that generate sufficient revenues to make them financially feasible.

QUESTION. What criteria would you suggest to the States for determining when a toll project is financially feasible?

ANSWER. In our December 17, 1990, report entitled *Highway Financing: Participating States Benefit Under Toll Facilities Pilot Program* (GAO/RCED-91-46), we reported that a low Federal funding share should encourage States to select for tolls roads that have a high volume of traffic, in order to generate sufficient revenue to make them financially feasible. Generally, the criteria a State should use to determine if a project is feasible at a 35 percent Federal share would be whether or not the anticipated toll revenue is sufficient to finance the difference between the 35 percent and the Federal share the project would receive if it were built toll free. For example, under DOT's reauthorization proposal non-toll roads under the new Urban/Rural Program would be eligible for a 60 percent Federal funding share. Therefore, to be feasible as a toll road under this program, toll revenue should finance 25 percent of the project's cost. The 25 percent toll financing plus the 35 percent Federal share provides 60 percent of the financing.

If the State selects a Federal-aid project for a toll that finances less than 25 percent of construction costs and the Federal share is 35 percent, the State will have to fund more than forty percent of the costs, thus using funds that could be spent on other projects. By selecting a project with toll revenues that exceed 25 percent, the State will have more funds available to spend on other projects. The decision a States makes in regard to toll roads will, to a great extent, depend on its financial capability. States able to put more front-end money into a project, may be willing to finance more than 40 percent of the construction costs in order to take advantage of the long-term benefits of the provision in the Administration's proposal to allow toll charges to continue after construction costs are paid.

Intermodalism

GAO's testimony explains that the Department of Transportation's separate modal needs studies for highways, bridges, and mass transit precludes effective ranking of intermodal needs and the development of an integrated transportation strategy.

QUESTION. What institutional changes need to be made at all levels of government and in all branches of government to move us in the direction of intermodal policy-making and policy implementation?

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[1] Statutory trust funds, such as the Highway Trust Fund, differ from the customary public understanding of a trust fund—money belonging to one party held by another, a trustee, acting as a fiduciary. Most trust funds in the Federal Government lack the fiduciary relationship. The beneficiaries do not own the funds and the Congress can, and often does, modify the terms of the funds.

Answer. Development of an intermodal investment strategy at all levels of government—Federal, State, and local—begins with top management. As we reported in November 1988, the Secretary of Transportation needs to provide strong leadership in policy development, including articulating a coherent vision of the Nation's transportation system and formulating an integrated set of policies and plans to achieve that vision—including research and development on high speed ground transportation.[2] The National Transportation Plan (NTP) issued in February 1990 was a step in the right direction towards developing a vision of the National transportation system. Top management in other levels of government may likewise need to develop visions of their transportation systems and formulate policies and plans to implement those visions.

GAO supports an intermodal investment strategy to help meet transportation infrastructure problems. However, as we noted, the ability to successfully implement this strategy is hindered by DOT's current practice of preparing separate needs studies for highways and mass transit. Integrating these studies would be an important first step in developing an intermodal investment strategy. To integrate these studies, DOT will need to develop a methodology for identifying highway, transit, and other transportation modes' investment needs that considers tradeoffs between modes to achieve the most effective use of Federal resources. Similar actions may be necessary at the State and local levels to further assure the effective use of Federal transportation resources. Differences in the way needs studies are currently compiled for highways, transit, and other modes at the Federal level precludes simply consolidating these various studies to achieve intermodal planning.

High Speed Rail and Maglev

The Administration's budget proposes research in the development of safety standards for high sped rail and the evaluation of the role of maglev in the future. The Administration's bill includes authority for the States to make rights-of-way of the National Highway System available for use without charge to privately owned high speed ground transportation or magnetic levitation transit systems.

These are steps in the right direction, but we also need to be encouraging highway planners to include the unique needs of high speed rail and maglev systems in their planning. Not all of the current right-of-way in the Interstate system meet the needs of these systems for they cannot safely operate when grades are too steep or there are too many curves.

Question. How can we ensure that planners will take into consideration [high speed rail and maglev) needs when they plan future [Interstate highway) corridors?

Answer. GAO is currently examining alternatives for siting maglev systems using, to the extent possible, existing rights-of-way (e.g., Interstate highways, utility rights-of-way, railroad rights-of-way, flood channels) and new rights-of-way (public and private lands). However, the above question speaks to prospective issues that are not within the scope of our work; that is, designing new highways around the needs of high speed rail and maglev systems. Our current work may tangentially address prospective issues, but we do not see it leading to recommendations or options regarding the design of yet-to-be- built highways. Further, we are of the opinion that planning a highway right-of-way around a secondary user (e.g., high speed rail) is poor public policy because highway right-of-way acquisition costs would escalate dramatically.

Corridors designed with high speed rail and maglev in mind may be an option for planners. In environmentally sensitive areas, the Bureau of Land Management, under its Federal Land Policy and Management Act of 1976 (FLPMA) obligations, has developed concentrated utility and transportation corridors through public land areas. The intent of this is to concentrate as many rights-of-way as possible into one corridor, thus minimizing impact on an environmentally sensitive area. Such is the case in the California desert in the I-15 corridor, where utilities and highways stay within a defined corridor area.

Corridor planning, however, must take into account several important geometric design factors, the most important of which is curvature. The design speed of Interstates is generally 70 to 80 miles per hour, with minimum radius curves of about 3000 feet. High speed rail and maglev, however, will have design speeds of 150 to over 300 miles per hour, and will require correspondingly greater curve radii to ensure stability and passenger comfort (as great as 20,000 feet—essentially a straight line.) Thus, if a corridor is planned to carry both highway and high speed rail traffic, it must be wide enough to accommodate these relatively enormous curvature requirements.

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[2] *Transition Series: Transportation Issues* (GAO/OCG-89-2STR, November 1988).

There are related cost-benefit factors to be considered as well. As stated above, it is possible that corridors for highways and high speed rail or maglev would have to be several miles in width, resulting in huge land acquisition costs. Additionally, planners must consider the "opportunity cost" of using a highway right-of-way for high speed rail or maglev: Is this the best use of the right-of-way? Are we preempting other, better uses? Planners should also consider whether using existing rights-of-way for new high speed rail or maglev is the best option for deployment of these systems. At least one State, Texas, plans to use entirely new right-of-way for much of its proposed Inter-City Express steel wheel high speed rail system.

Another issue of safety that hampers the development of high speed rail and maglev systems is the issue of separating rail crossings from the roadway. These systems which can provide an alternative to air and vehicle travel and relieve the congestion in our air space, airports, and on our highways need support from the Federal Government.

QUESTION. What role do you see for the Federal Government in improving the grade separations?

ANSWER. According to some experts, grade separation does not appear to be particularly critical to the development of high-speed rail systems. For true high-speed service (scheduled, sustained speeds in excess of 125 mph) to exist, dedicated trackage for 90 percent of a route or more is required. Virtually all high-speed passenger rail projects in existence today run on dedicated trackage. For example, both the Japanese Shinkansen (Bullet Train) and the French TGV run on dedicated trackage with no significant grade crossings. Similarly, the high-speed routes proposed in this country would run on dedicated trackage, with the right-of-way designed to minimize grade crossings. Intersections with highways would generally be handled by overpasses or underpasses, rather than by grade crossings. GAO has not independently assessed the need for improving such grade separations, nor the potential role for the Federal Government in this area.

Minimum Allocation

QUESTION. The President's proposal does not include the minimum allocation program. Please submit an analysis of how each of the MA States will be impacted under the President's proposal.

ANSWER. The minimum allocation (MA) program—which guarantees that a State receives highway program apportionments equal to at least 85 percent of its share of total contributions to the Highway Trust Fund—has been deleted from the Administration's proposed highway program. According to Federal Highway Administration (FHWA) officials, MA was discontinued because the Administration believes its revised apportionment formulas, which will apportion highway funds 70 percent on motor fuel consumption, 15 percent on public road mileage, and 15 percent on land area, will guarantee that virtually all States receive apportionments of at least 85 percent of their contributions to the Highway Trust Fund (HTF).

Our preliminary evaluation of FHWA data shows that 19 States received about $1.2 billion in minimum allocation funds in fiscal year 1990.[3] Under the Administration's proposed funding levels, six States—California, Georgia, Indiana, Maryland, North Carolina, and Virginia—would receive less than 85 percent of their share of total HTF contributions in fiscal year 1992.[4] The total shortfall for these States (based on a calculation of 85 percent of a States' share of total HTF contribution less those apportionments to be received under the Administration's revised formulas) would be about $81 million. The shortfall would range from about $33 million in California to about $385,000 in North Carolina. If the Interstate Completion, Interstate Substitution, and urban planning programs are factored into the calculation (as they currently are in determining minimum allocation), a total of 14 States would be below the 85 percent contribution level.[5] The total shortfall would be about $461 million, ranging from about $90 million in Florida to about $6.7 million in Missouri.

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[3] These States are Arizona, Arkansas, California, Florida, Georgia, Indiana, Kansas, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.

[4] This includes apportionments for the National Highway Program, Urban/Rural Program, and Bridge Program but excludes allocations for the Interstate Completion, Interstate Substitution, and urban planning programs.

[5] These 14 States are Arizona, Arkansas, Florida, Georgia, Indiana, Kentucky, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, and Texas.

As we have testified, the prospects of achieving the Administration's funding levels appears dim. Therefore, additional States may be affected by the elimination of minimum allocation.

RESPONSES TO QUESTIONS FROM SENATOR LIEBERMAN

Fuel Consumption

In your testimony you state that factors such as motor fuel consumption and vehicle miles travelled are better indicators of highway use than the factors we use now—land area, urban and rural population and postal road miles.

At the same time, reliance on motor fuel consumption is clearly contrary to national goals of conservation and energy efficiency and may directly conflict with some of the mandates of the Clean Air Act.

QUESTION. What type of apportionment formula would both better reflect highway use than the factors we now use and, at the same time, promote the important national goals of energy efficiency and clean air?

ANSWER. If the Congress chooses to substantially base the allocation of Federal-aid for highways on highway use, then as recommended in our 1986 report,[6] motor fuel consumption is a more direct, and therefore more accurate, indicator of highway use than either urban or rural population. As your question implies, an important consideration in deciding to replace population with fuel consumption is whether doing so will introduce any unintended or undesirable incentives into the apportionment process.

Any undesirable effect would presumably occur as a result of States becoming less vigilant in promoting greater fuel efficiency in order capture a larger Federal apportionment through a fuel-based formula. It is difficult to assess what impact the' use of fuel consumption, as a factor in the allocation formula, would have on States' efforts to increase fuel efficiency and improve air quality. However, the savings and economic benefits of increased fuel efficiency for a State may far outweigh any potential increase in Federal funding through a fuels-based apportionment formula. Further any effort by States to encourage increased fuel consumption by the public in order to increase their Federal-aid allocation would run counter to current Federal and State efforts to reduce air pollution and the Nation's dependence on petroleum usage.

In our view, a formula based on a combination of vehicle miles travelled and motor fuel consumption will, in effect, neither promote nor inhibit increased fuel efficiency. Before any incentive to increase fuel efficiency is introduced into the apportionment formula, however, its feasibility and efficacy should be studied.

Further, we believe the incentives to achieve national goals of energy efficiency and clean air can be best provided through Federal transportation policies and funding mechanisms other than the highway allocation formula. For example, the Department of Transportation can contribute more effectively to the effort to conserve energy consumption through increased emphasis on use of mass transit including car pooling and HOV lanes, and research and development of alternative fuels and more efficient, fuel diverse automotive technologies. Policies such as these would directly promote these goals and allow the apportionment formula to address the issue of funding States' highway needs.

Funding Flexibility

In your testimony you report that demonstration programs which have allowed States to customize their spending of Federal funds have been successful and support the benefits of a more flexible program.

QUESTION. The Administration's proposal allows for flexibility between transportation modes in the urban/rural program but not in the highways of national significance program. Based on your review of the demonstration programs authorized in the 1987 legislation, do you favor greater funding flexibility than proposed by the Administration?

ANSWER. As our testimony notes, we reviewed a 1987 Congressionally authorized demonstration program in which five States—California, Minnesota, New York,

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[6] "Highway Funding: Federal Distribution Formulas Should Be Changed" (GAO/RCED-86-114), March 1986

Rhode Island, and Texas—were allowed to pool money from the Federal highway urban, secondary, and bridge programs and use the funds on any one or a combination of the three programs. Since this demonstration was limited to Federal highway programs, it offered no insight regarding flexibility across modal lines.

Under the Administration's reauthorization proposal, the National Highway Program provides for a certain degree of intermodal funding flexibility. For instance, 15 percent of National Highway Program funds could be transferred to the Urban/Rural Program. Thereafter, these funds could be transferred to transit. A much greater degree of flexibility would be permitted under the Urban/Rural Highway Program in that Federal funds allocated to highways could be used for transit projects and vice-versa. We presently have a review underway for the Senate Committee on Environment and Public Works that will examine obstacles to full realization of the transportation benefits of intermodal funding as proposed by the Administration.

QUESTION. You have also testified that it is generally easier for localities to demonstrate the benefits of increased highway capacity than to demonstrate the benefits of increased transit capacity through acquisition of buses. How do we help the localities make the showing about the benefits of increased transit capacity? Will the new requirements of the Clean Air Act force localities to do a better job in evaluating transit options?

ANSWER. As we testified, the Administration's proposed highway and mass transit programs offer significant opportunities for States and localities to use Urban/Rural Program highway funds for mass transit purposes and transit funds for highway purposes. We support an intermodal investment strategy to help meet transportation infrastructure problems. However, both the Federal Highway Administration (FHWA) and the Urban Mass Transportation Administration (UMTA) may need to develop guidance for States, Metropolitan Planning Organizations (MPO's), localities, and other organizations to assure that both highways and mass transit have equal opportunities to receive flexible funds.

Preliminary results of our work for the Senate Committee on Environment and Public Works suggests that, although both FHWA and UMTA have planning requirements for their programs, States, MPO's, and others would benefit from additional guidance on developing planning and programming processes that better integrate highway and mass transit alternatives. Our work to date further suggests that the criteria used to assess highway and mass transit projects may not easily facilitate choices between the two modes. We believe guidance from FHWA and UMTA is needed to identify methodologies that are currently available, or that are being developed, for making side-by-side comparisons and rankings of highway and mass transit projects. Identification of such methodologies would better facilitate making intermodal choices. In our ongoing work for the Committee we plan to offer recommendations on how to use the proposed funding flexibility more effectively.

In response to your second question, the Department of Transportation (DOT) has reported that transportation in general, and the motor vehicle in particular, is a major contributor to air pollution. Transportation accounts for about 70 percent of carbon monoxide, about 50 percent of nitrogen oxide, and 33 percent of ozone-producing hydrocarbon emissions. Although motor vehicles today emit fewer pollutants than in the 1965, a rapid growth in the number of vehicles and the number of miles driven have offset these declines. The Clean Air Act Amendments of 1990 includes provisions for addressing the attainment and maintenance of ambient air quality standards as well as the control of air pollution. For those areas not meeting the standards, steps must be taken to reduce harmful emissions and the Act sets deadlines for meeting air quality standards.

It is clear that as States and localities develop their plans for meeting Clean Air Act Amendments (CAAA) requirements, transit will be one alternative to consider. The CAAA, in an effort to better control transportation demand and reduce emissions, incorporates a number of transportation control measures (TCM's). These measures range from constructing high occupancy vehicle lanes to providing assistance for programs which improve public transit. Although use of TCM's will vary depending on the degree of clean air attainment, they are designed primarily to improve air quality by promoting people movement as compared with vehicle movement. Since mass transit is also oriented towards people rather than vehicle movement, mass transit will be an option which localities will need to consider in improving air quality through reduced auto emissions. According to DOT, in urban and suburban areas the development of new transit services may provide viable alternatives to the private automobile. Likewise, in less dense areas, ridesharing and demand-responsive transit programs may be suitable approaches. In both cases, mass transit will play an important role in improving air quality.

MISCELLANEOUS QUESTIONS POSED BY SEVERAL MEMBERS

QUESTION. Following GAO's March 5, 1991, testimony, Mr. Kenneth Mead was asked by several Committee members to estimate the amount of highway and mass transit funds that could be eligible for transfer between the two programs. The following is a preliminary estimate based on the Administration's proposed program authorization levels.

ANSWER. The entire Urban/Rural Program and 15 percent of National Highway Program funds would be eligible for transit and virtually all mass transit funds would be eligible for highways. On the basis of the Administration's proposed highway and mass transit authorization levels, about $5.8 billion annually in highway funds and about $3.1 billion annually in mass transit funds would be eligible for transfers. Over the entire 5-year reauthorization period approximately $28.7 billion in highway funds and about $15.3 billion in transit funds would be eligible for transfer.[7]

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[7] The $28.7 billion includes $22.2 billion in Urban/Rural Program funds and $6.5 billion in National Highway System funds (15 percent of the total NHS authorization). The $15.3 billion includes the entire UMTA section 9 Formula Grant and section 3 Discretionary Grants programs.

FISCAL YEAR 1992 BUDGET REVIEW

THURSDAY, MARCH 7, 1991

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
Washington, DC.

The committee met, pursuant to notice, at 9:37 a.m. in room 406, Dirksen Senate Office Building, Hon. Quentin Burdick [chairman of the committee] presiding.

Present: Senators Burdick, Baucus, Chafee, Lautenberg, Lieberman, Metzenbaum, Moynihan, Reid, Smith, and Warner.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Good morning. The committee is meeting today to review the Environmental Protection Agency's budget request for fiscal year 1992.

Exactly a year ago, members of this committee were occupied with a landmark clean air bill which would be debated by the Senate. Therefore, we were precluded from holding our customary hearing on the agency's budget request. That bill is now public law and several other important environmental mandates were enacted at the end of last year.

We are interested in the agency's efforts to implement those laws. As you know, I am concerned about the pollution prevention program and I have written to EPA on that subject. I am personally interested in getting an environmental education program underway.

Since we have some catching up to do, I will stop at this point and simply welcome Administrator Reilly, his able deputy and Assistant Administrators, and Mr. Hembra who will present the testimony on behalf of the General Accounting Office.

Do we have anyone with an opening statement?

OPENING STATEMENT OF HON. ROBERT SMITH, U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

Senator SMITH. I would ask unanimous consent to put an opening statement in the record, and welcome Mr. Reilly here today.

[Senator Smith's statement follows:]

OPENING STATEMENT OF HON. ROBERT SMITH, U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

Mr. Chairman, I am pleased to be here for the official unveiling of EPA's 1992 Budget. I expect that today's hearing will yield important information with which we can begin the appropriations process.

Mr. Chairman, it is obvious that the growth in demands on EPA has outpaced the growth of the agency's budget over the last two decades. No longer is the agency merely responsible for stopping the most obvious violators of toxic waste or other laws. Today, EPA also is expected to come up with sophisticated solutions to the problems of stratospheric ozone depletion, smog pollution, lead contamination, nonpoint source pollution, and climate change.

I believe that pollution prevention is the number one solution to making the dollars EPA receives go further. The premise behind pollution prevention is simple: it is easier, cheaper, and cleaner to prevent pollution at its source than to clean it up later. Accordingly, I wholeheartedly support the aspects of the Administrator's budget proposal that promote this approach.

Education is the most effective tool we have for advancing the goal of pollution prevention. If we can make Americans aware of how their transportation choices, farming practices, and use of consumer products directly impact the environment, we can make major advances in environmental quality without spending another tax dollar. I commend the Administrator for making environmental education, particularly at the elementary school level, a visible part of his 1992 Budget Proposal.

Using flexible, market-based incentives, rather than a regulatory approach, is another cost-effective strategy we have for stretching environmental dollars. We already have seen how this approach, if applied carefully, can work in the pursuit of clean air. Let's put it to work in support of other environmental objectives as well.

I also want to stress my support for greater EPA investments in environmental R&D, such a bioremediation and biotechnology. To date, Congress has expended enormous resources on EPA's development of regulations and industry's compliance with those regulations. Instead of continuing with this reactive, control-oriented strategy, we should be giving the agency the resources to develop futuristic solutions to pollution problems.

Overall, Administrator Reilly has done an excellent job of prioritizing the nation's most pressing environmental challenges in his budget proposal for 1992. I commend him for his hard work and look forward to hearing his testimony today.

Senator **Burdick**. Mr. Lautenberg.

Senator **Lautenberg**. Thank you, Mr. Chairman. You may want to go to Senator Lieberman.

Senator **Burdick**. Senator Lieberman.

OPENING STATEMENT OF HON. JOSEPH I. LIEBERMAN, U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator **Lieberman**. Thank you, Mr. Chairman.

Administrator Reilly and your team, welcome. It is good to begin working with you again.

Mr. Chairman, I am acutely aware, as all of us are, that we are operating within budgetary constraints generally at this point in the history of our Government and our country. I must say, even allowing for that, that I am concerned as we approach EPA's budget about the conclusion in GAO's testimony, and I quote: "EPA continues to have no more resources to deal with environmental problems than it did 13 years ago."

GAO goes on to state that in constant dollars, EPA's budget for fiscal year 1992 is at the same level as fiscal year 1991. I don't think that this is what the public wants because, in my opinion, there is tremendous support among the American people for the work that EPA does and for the new legislative responsibilities that Congress has given the EPA within the last decade without, frankly, the adequate funding to support those mandates.

I don't think the public would agree with a budgetary decisionmaking process that fails to provide EPA with adequate resources to implement those responsibilities.

I suppose, as in all budget documents, there is good news and bad news here. The budget submitted by EPA does have some very positive new approaches, but it also reflects some decisions which trouble me.

First, I think the budget correctly reflects the fact that implementation of the Clean Air Act should be its number one priority. In that sense, I am pleased to note and welcome Bill Rosenberg who has the responsibility for implementing the Clean Air Act. The allocations here in this budget suggest the importance of that program.

I don't think there is any question that making certain that this law works is enormously important and will be difficult. I don't think the budget before us gives EPA enough resources to lead us to conclude that the agency will be able to do the job that we have given it. That concerns me.

I am also troubled that the administration has failed to fund the independent Chemical Safety and Hazard Investigation Review Board that was established by the Clean Air Act.

The budget contains a reference to so-called constitutional concerns as a reason why the independent board has not been funded. I want to pursue that with my questioning. I don't understand what those constitutional concerns are or why they justify the failure to fund the board.

Second, I want to note positively that I am pleased that the agency's budgetary priorities do in some measure reflect the conclusion of the Science Advisory Board's report reducing risk which we held a hearing on a while ago, including greater emphasis in this budget on ecological protection and restoration, food safety and pesticides registration, and reducing exposure to lead in the environment.

The agency has also focussed its concern, I think for the first time, on the need for research on reproductive and neurological risks of pesticide exposure. I appreciate that. I hope it will be a starting point to increase resources in assessing other health effects areas, such as immunal toxicity and pulmonary toxicity.

Even in the areas identified as priorities, however, the President's decision not to adequately fund EPA raises serious questions about whether the agency can meet its goals. For instance, I don't believe the EPA has enough resources to meet even the modest of goals set out in its own strategy on confronting lead poisoning.

I am also troubled by the decision to cut funding for grants to States for nonpoint pollution by 50 percent. In contrast to its approach in other areas, here the budget has chosen not to follow the recommendations of the Science Advisory Board, which identified preservation of our ecological resources and contamination of surface waters as areas of significant concern.

In his recently released pollution prevention strategy, Administrator Reilly has noted that, and I quote: "EPA must more effectively address the few sources of pollution, usually referred to as nonpoint sources." But without funding, the agency is simply not going to be able to do that.

I have a special interest in it because funding of nonpoint pollution programs is critical to our efforts to clean up Long Island Sound. I hope that we can work in the funding for reauthorization of the Clean Water Act to correct some of these problems.

The State Revolving Fund finally, Mr. Chairman, is another area of concern. At one of the first hearings that I attended at this committee two years ago when we looked at the EPA budget, I found occasion—one of the few occasions I have had—to disagree with the Administrator on the importance of Federal support of upgrading our Nation's sewage treatment facilities. I must say that at this point the agency's choices have confused me.

While some of the $400 million specifically targeted for special grants to the cities of Boston, San Diego, Los Angeles, Seattle, and New York will be of some use to, for instance my own State's concern for Long Island Sound because of New York's portion of the problem. Connecticut will actually lose since the general State Revolving Fund pot will be reduced. Our share will be reduced, limiting our ability to effectively address our sewage treatment needs. I think Connecticut's experience in this will be similar to most other States.

So I would ask why the Administration did not request the $400 million in a special category in addition to the $1.8 billion authorized for the State Revolving Fund program for fiscal year 1992 if the conclusion was made that these enumerated cities were in such special need?

I also just raise the question—and I would like to discuss it with the Administrator afterward—why the $400 million requested to go to those five cities will go in the form of grants, rather than loans? I mean, I'd love to see the whole program be a grant program, but I am interested in understanding the financial limits on that. I would like to hear why that decision was made.

Mr. Chairman, I appreciate this opportunity to make these opening comments on the budget. I look forward to working with you and with Administrator Reilly and his team to do the best we can to give them the resources they need to do the job that we ask them to do.

Thank you, Mr. Chairman.

Senator **Burdick**. Senator Chafee.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator **Chafee**. Thank you, Mr. Chairman. First I want to welcome Mr. Reilly here and I will put my statement in the record, Mr. Chairman. I would just like to briefly touch on the construction grants funding.

[Senator Chafee's statement follows:]

Opening Statement of Hon. John H. Chafee, U.S. Senator From the State of Rhode Island

Mr. Chairman, once again I am pleased to welcome Mr. Reilly to the committee. I look forward to his testimony as well as Mr. Hembra's, but first I would like to touch on a few points.

The 1992 President's budget for the Environmental Protection Agency goes a long way in meeting the President's commitment to improving environmental protection. I am especially pleased with the effort that is being made to implement the Clean Air Act Amendments. According to the budget documents, over $100 million is requested for new activities mandated in the legislation, including the development of clean fuel programs and the establishment of a market-based acid rain emissions trading system. I commend the Administration for keeping the pressure on to meet the deadlines required by the act.

Let me turn to an issue of particular interest to the members of this committee, the funding of construction grants. The Administration's proposal to fund sewage construction is somewhat misleading. Although the total request is $1.9 billion, $100 million above the authorized level, only $1.5 billion is committed to capitalizing the State Revolving Funds (SRFS). That is $300 million less than the $1.8 billion that is authorized. This is not the time to shortchange the SRF Program. The full $1.8 billion is needed for the SRFS. I understand, of course, that the additional $400 million is being targeted to worthy projects in five coastal cities, but the request will undoubtedly siphon monies away from numerous critical needs.

We made a commitment in 1987 to capitalize State Revolving Funds at specific levels through 1994, and it is imperative that we keep that commitment. States have allocated their long-term resources based on this pledge. More importantly, our cities and towns simply cannot afford to shoulder the entire burden of building wastewater treatment plants.

In addition to the revolving fund proposal, I am particularly concerned with the reduction slated for nonpoint source management grants. The president has requested only $24 million for this program, a decrease of $25 million from 1991. The requested $24 million is not adequate to address our critical needs. The task of abating and preventing nonpoint source pollution in targeted watersheds and habitats such as estuaries, near coastal waters and wetlands is no small job.

Reviewing the budget, I noted a decrease of $4 million in the Pollution Prevention Grants Program. This is unfortunate. The Federal Government will spend billions of dollars on environmental cleanup, yet few resources are committed to preventing contamination. I think my colleagues would agree that pollution prevention is the key to a sound environmental policy. Too often, we focus on the wrong end of the equation, and accept pollution as a given. It is time for the Federal Government to step in and provide the leadership to reverse the equation and to provide incentives for industry and the States to implement pollution control and prevention strategies.

At this point, let me stress that this budget ignores two initiatives of particular interest to the committee: the Clean Lakes Program and the Asbestos-in-Schools Program. There is a real need in our communities to deal with these issues, especially with regard to the health and safety of our young people in the classroom. This is certainly not the time to shortchange our environment and those who will inherit it in the future. We need to take more than a second look at funding these programs.

On the positive side, I am looking forward to hearing more about the Coastal America Initiative. We desperately need an integrated program to accelerate the management of our coastal resources.

With regard to wetlands, I was pleased to note the $4 million increase in the Wetlands Implementation Program. This initiative is a positive example of the Federal Government's involvement at the local level. Providing Federal assistance to States and Indian tribes in the development of comprehensive wetlands protection plans, the program furthers the national goal of "no net loss" of wetlands.

I also want to comment the President and Mr. Reilly for emphasizing enforcement in the fiscal year 1992 budget. The request includes over $400 million for stepped-up enforcement activities agency wide. I wholeheartedly support EPA's "enforcement first" policy. Swift and predictable enforcement will prevent the costly outlay of Federal clean-up dollars in the future.

Finally, I would like to underscore the President's request for additional funding for climate change research. Although I would prefer to see the Administration take a more proactive role in the area of carbon dioxide controls, there is no question that these additional research monies are needed. The $6 million increase to $26 million is a valuable contribution.

Mr. Chairman, let me finish by saying that I am concerned about the sewage treatment funding request in the fiscal year 1991 budget, but am pleased with many of the new directions the President has taken. I commend the President and Mr. Reilly for attempting to balance the critical needs of the environment with the reality of our fiscal constraints.

Senator **Chafee**. It seems to me that the administration's proposal for sewage construction is somewhat misleading. It is a total request of $1.9 billion, $100 million above the authorized level, but only $1.5 billion is committed to the States revolving fund which is $3 million less than is authorized and doesn't keep on cost with the agreement that we made at specific levels through 1994. I would be interested in what Mr. Reilly has to say about that.

The other thing I am concerned about is the nonpoint source management grants. The President has only requested $24 million for this program, a decrease of $25 million. In other words, cut it in half from the current year.

I think Mr. Reilly and others would agree that in the Clean Water program, we have now reached the state where nonpoint source pollution is the single greatest cause of pollution. It is extremely difficult to handle, so I think it is unfortunate that the proposal is to cut that in half.

The other is the decrease in $4 million in the pollution prevention grants program. Certainly, Mr. Reilly and all of us agree that we should do more in prevention, which is truly a case of saving money in the long run rather than trying to clean up the damage that is done because of lack of prevention.

The $4 million increase in the wetlands implementation program is good. I also want to commend Mr. Reilly in emphasizing enforcement of this.

Also, Mr. Chairman, there has been a lot of talk about climate change. The President has put in additional funding for climate change research. We can argue whether the administration should take a more proactive role. I think they should in carbon dioxide controls, but there is no question that additional research money is needed. That $6 million increase to a total of $26 million is commendable.

So with particular concern about the sewage treatment funding request outside of that, I think the Administrator has done a good job, Mr. Chairman. I commend him and look forward to his testimony.

Thank you, Mr. Chairman.

Senator **Burdick**. Senator Lautenberg.

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator **Lautenberg**. Thanks very much, Mr. Chairman.

Mr. Reilly, welcome. It is always good to see you and your very competent team.

The enthusiasm about the EPA budget that you bring to the committee isn't shared by all. By this time, you have heard the concerns including the one I am going to add about the administration's continuing failure to fulfill the promise that we made to the American people to clean up our Nation's waterways and to make them fishable and swimmable.

In 1987, in this room, we promised to provide $18 billion through 1994 to the States for sewage treatment construction to make our waterways clean. But as of this year, we have provided almost $2 billion less than we said we world.

I remind you, Mr. Reilly, that that negotiation was an adjustment essentially to compensate for the fact that the program was being terminated and that this was the phase-out. So it was negotiated in good faith. It is disappointing to see that we are not even meeting the agreed upon sums. That shortfall would even be larger if Congress hadn't routinely added funds to the administration's request.

Your budget continues to cut assistance to the States to fund their revolving loan program. The shortfall is obviously neglected.

You have cut funding for State revolving loan programs below both last year's level and the authorized level, and proposed also as a cut for funding for nonpoint source pollution. That is cut in half.

Now some of the programs are funded at reasonable levels. But as GAO will point out later this morning, the gains in funding are made possible by cuts elsewhere, by the elimination of funding to rid our schools of asbestos and reductions in nonpoint source and sewage treatment funding programs.

What is even proposed is to cut funds to State pollution prevention programs. Yet at the same time, you say that pollution prevention is one of your top priorities. I think we discussed that in your earliest days.

The administration's budget document proudly announces how hard it worked on behalf of passage of the pollution prevention act.

But Bill, while we have made progress in cleaning up the Nation's waters, it is clear that we have a long to go. The budget proposal fails to provide the States with the resources we promised and which they need to achieve clean water.

Another concern is that the environmental interests are not being reflected in the administration's recent energy plans and surface transportation legislation. I see an energy program which doesn't even provide one new conservation program. The administration wants to produce our way out of the energy crisis. In the process, the environment is going to suffer.

The administration's surface transportation initiative—and perhaps you remember that I am the chairman of the Transportation Subcommittee in appropriations and take a very active interest. Their initiation fails in terms of both energy and the environmental concerns. It would reward air polluting States by giving them more highway money. That is the way the formula is set up if they waste more fuel. It would cut back support for mass transit. This is the transportation policy that is running into a head-on collision with our clean air goals, which everybody spent so much time on last year.

Now as far as I can tell, EPA has been left out of the development of these policies. Perhaps you can tell us later on what role, if any, they had there. You have seen the polls. People want to clean up the environment, but it is not going to happen with wishing. It is going to take commitment and the commitment to be fulfilled has to include resources.

So I look forward to talking to you about the administration's commitment to cleaning up our Nation's water resources and about your involvement in the development and highway initiatives that the administration has put forth. I welcome and look forward to hearing from you.

Thank you, Mr. Chairman.

Senator BURDICK. Senator Baucus.

OPENING STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM THE STATE OF MONTANA

Senator **Baucus**. Thank you, Mr. Chairman. Mr. Administrator, I thank you very much for coming this morning to present your budget to us. I again want to thank you for your work on the Clean Air Act. It was stellar.

I think all Americans over the next decade and beyond are going to be very thankful for the efforts that you, the President, and the Congress undertook to pass the Clean Air Act. They won't know the names of many of those who were involved, but you certainly are one of the key persons involved, and I want to commend you for it.

In that same vein, I am very happy to see your budget emphasizing implementation of the Clean Air Act. As I understand it, you have increased the funding from $395 million to some $512 million. It is very commendable. Often in Congress, as in life, people have good intentions, but they don't follow through. You obviously intend to follow through with the implementation of the Clean Air Act amendments. You are putting your money where your mouth is, and I very much appreciate that.

I look forward to the same commitment with RCRA and the Clean Water Act that we will pass this year. I urge you to give the same dedication focus to those two major bills as we have with the Clean Air Act. However, I notice in your budget that you have given short shrift to nonpoint source pollution prevention.

I urge you to spend more time there. There is some concern in this committee and others about sewage treatment funding. I notice, though, most of that is for coastal sewage treatment. I would urge you to look also inland. That would be very helpful.

In addition, I strongly urge you and the agency to spend still even more time on prevention. It is clear as the years go by that the control technologies, as helpful as they have been, are not the sole answer. In fact, on a proportionate basis, we should be spending probably more and more time on prevention. It is air, water and other areas as well.

I look forward to your statement and the degree to which in your statement and your budget presentation, you can find ways to spend more time on prevention, more effort on prevention because I think that is going to make the greater difference in the long run.

Thank you.

Senator **Burdick**. Senator Reid.

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Senator **Reid**. Thank you, Mr. Chairman. I want to also welcome you, Administrator Reilly. We just finished working on the lead bill on which we have spent so much time in this committee.

I also want to express my appreciation to Hank Habicht, who has been very forthcoming and has worked with me and my subcommittee on a number of issues. He has made himself available, and has shown us that some of our problems were not as great as they first appeared.

The committee has been instrumental in developing and passing many of our Nation's landmark environmental laws. One of the more celebrated laws was last session's Clean Air Act Amendments. As the Senator from Montana just indicated, there is still a lot more that has to be done in that regard.

Overall, there has been a two percent increase in EPA's budget. Much of these funds are to be used to implement provisions of the Clean Air Act Amendments. Yet again, it seems the agency must do more with less. There is still environmental ills that ail all of us. A fully integrated research and development program is essential to provide the technical foundations for environmental regulations. We need to consider the attention being given to the front end of the regulatory process.

There has been some controversy over EPA's Office of Pollution Prevention. Last November, Chairman Burdick and I wrote you a letter expressing our interest and concern. I haven't received, and I am certain the Chairman hasn't, an acknowledgement of that letter.

Recently, there was a $5 million cut in pollution prevention grants and I intend to hold oversight hearings on the agency's pollution prevention efforts in the near future.

Finally, the public needs to be assured that a vigorous and even-handed enforcement process exists. Your budget has essentially remained constant for the past decade.

Clearly, the agency has a monumental task. In the past, you, Administrator Reilly, stated that EPA would strive to reassess its priorities, seeking to weight environmental problems more on the basis of the actual risks they pose than on the public perceptions and to concentrate on the resources accordingly.

The testimony presented today by you and the GAO will outline the agency's efforts in fiscal year 1992 to carry out its mission with its limited funding. I look forward to the hearing.

Thank you, Mr. Chairman.

Senator BURDICK. Senator Metzenbaum.

OPENING STATEMENT OF HON. HOWARD M. METZENBAUM, U.S. SENATOR FROM THE STATE OF OHIO

Senator METZENBAUM. Thank you, Mr. Chairman. Let me start by saying that this Senator appreciates the tough job that Administrator Reilly has at the helm of EPA.

I believe you are doing an admiral job considering the high demands placed upon you and your Agency. But there is a good reason why these demands are being placed on you and the EPA. You are the caretakers of the air we breathe and the water we drink. You are our best hope for insuring that our children and grandchildren inherit a Nation and a world that is cleaner and healthier than it is today.

It is clear that you personally understand the scope of the environmental problems facing us. Your heart is in the right place. But having said that, I am still troubled. I am troubled by a budget proposal that does not contain enough tools to satisfactorily do the job.

EPA's operating budget request of $2.5 billion may look like an increase over last year's budget, but in reality, it is not. Most of the increase represents funds that will toward implementing the Clean Air amendments of 1990. As GAO will testify later, the gains in the air program are made possible, in part, by cuts made elsewhere.

Look at some examples. No funding is requested for the asbestos loan and grant program to help schools with asbestos abatement. The program to help States control pollution from urban and agricultural runoff is cut by more than 50 percent. The pollution prevention State grants program is reduced by more than 60 percent from last year's authorization level. This budgetary slight of hand doesn't end with your operating programs.

Your budget robs Peter to pay Paul in another key area as well. I am talking about talking about proposed funding for sewage treatment. Your budget funds wastewater treatment construction at the full fiscal 1992 authorization level of $1.8 billion. However, 18 percent of the money is being targeted for specific wastewater projects in Los Angeles, Seattle, New York, Boston and San Diego.

These projects may be meritorious—and I don't question that—but funding for them is coming right out of the pockets of States like Ohio. Ohio needs more, not less, help in building a viable loan fund to help pay for sewage treatment facilities.

Frankly, I hope we can fix these glaring inequities. I believe that we can.

Let me wind up on an upbeat note. EPA is engaged in some very positive activities which deserve mention. For one thing, EPA is targeting more than $18 million in new funds for a Great Lakes initiative to coordinate multimedia efforts that will help with environmental protection in the Lakes. While I am still not sure how every penny will be spent—and I hope EPA can provide me more details—I am encouraged by this agency wide focus on the Great Lakes. It is very welcome shift in the administration's priorities.

I also would be remiss if I did not mention EPA's efforts to impose $300,000 in fines which are increasing by $20,000 a week for DOE's repeated failure to meet cleanup deadlines at its feed materials production center in Fernald, Ohio. DOE should have cleaned this site up years ago. I think you are doing a good thing holding DOE's feet to eh fire. If EPA gets any money out of the Energy Department, I would like to know if they could use the money to address the problems back at Fernald?

I look forward to working with you on these issues. As I said at the outset, your heart is in the right place. We have just got to be certain that the entirety of your whole body is moving in the right direction as well.

I do want to say that I will be excusing myself from the hearing not from a lack of interest, but by reason of the fact that I have to attend another hearing. But keep pushing. Maybe keep pushing at the White House as well, because that is where part of your problem lies.

Senator **Burdick**. We have a statement from Senator Jeffords that will be entered into the record at this point.

[Senator Jefford's statement follows:]

OPENING STATEMENT OF HON. JAMES M. JEFFORDS, U.S. SENATOR FROM THE STATE OF VERMONT

I'd like to thank Mr. Reilly for appearing here today to discuss the Environmental Protection Agency's budget for fiscal year 1992.

Vermont, in my opinion, is one of the most environmentally aware States in the Union. Now in our 200th year and third day, we are proud of our Green Mountain heritage. Vermont communities, however, are beginning to buckle under the weight of ever increasing Federal requirements. I notices in the General Accounting Office's testimony provided earlier that even EPA has been unable to obtain greater funds in the 1980's. I am sure this has made EPA's job of complying with the legislative requirements placed upon it by Congress difficult. Improvements in efficiency I'm sure have helped EPA maintain its mission.

Small communities and States find it difficult, however, to take advantage of economies of scale. The Federal Government, through EPA must provide assistance. In this light, many of my questions will focus on assistance to small communities and on improving compliance by means other than enforcement. Small communities, I believe, want to comply. It is the capability and not the desire which is lacking. Thus, I will be asking questions today and in the future on the Agency's efforts to help small towns.

Senator BURDICK. Well, Mr. Administrator, you are now up to bat.

STATEMENT OF HON. WILLIAM K. REILLY, ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY, ACCOMPANIED BY F. HENRY HABICHT, DEPUTY ADMINISTRATOR, AND CHARLES L. GRIZZLE, ASSISTANT ADMINISTRATOR, ADMINISTRATION AND RESOURCES MANAGEMENT

Mr. REILLY. Thank you, Mr. Chairman and members of the committee. I appreciate very much appearing before you and I want to present some of the highlights of the President's 1992 budget request for the Environmental Protection Agency. I would like to request that my prepared statement be included in the record.

Senator BURDICK. So ordered.

Mr. REILLY. I am accompanied here by Deputy Administrator Hank Habicht and Assistant Administrator for Administration Resources Management, Charlie Grizzle. Behind me are the outstanding members of my EPA team.

The President's budget request confirms the President's commitment to building a safe and healthy environment.

Let me first set the context for your consideration of this budget. You are, of course, familiar with the state of the economy, with the very serious deficit cloud that hangs over all of us concerned with Federal policy-making today. You also know that the budget agreement reached between Congress and the Administration last fall sharply restricts the growth of Federal spending and limits increases in domestic outlays. As a result, all of us in Government, I think, have a new and precise understanding of the concept "zero sum game."

The Federal budget is tightly constrained in how much it can grow. If EPA's piece is to grow, it must do so at the expense of some other domestic agency.

In EPA's 20-year life, the agency has been directed by Congress to fulfill large and ever-growing expectations. In my two years as Administrator, the Congress has enacted no fewer than 25 new laws for which we bear some responsibility, from Clean Air to Pollution Prevention to oil spills to Environmental Education, with scarcely sufficient resources to do what we are asked to do. Yet we approach all of these with commitment, vigor, excitement and ingenuity. Necessarily often ingenuity.

For many years, EPA was a no-growth agency. Neither the financial resources nor staff growth came close to keeping up with inflation, with public expectations or with the rate at which Congress gave us new laws to administer. George Bush changed that situation.

In the past three budgets, EPA's staff has grown 20 percent, and our operating funds have increased 26 percent. Relative to the responsibilities EPA bears, our current budget and staff resources are not fully adequate. But judged according to EPA history and measured against funds available in the current budget climate, I can say I am proud to present the Bush Administration's Fiscal Year 1992 EPA Budget to you.

This budget request will allow EPA to set the direction and pace of environmental protection into the 21st century. Under the President's leadership, we will use a substantial increase in funding to foster new and innovative solutions to the many environmental challenges facing our country and the international community.

We will continue our effort to reshape and refine our agenda, particularly with respect to strengthening the role of science and to preventing pollution before it becomes a problem.

We will elevate the protection and restoration of natural systems as recommended by EPA's Science Advisory Board.

We will continue to develop and apply a broad array of tools and strategies, including market-based incentives such as we built into the Clean Air Act; voluntary agreements which we are seeking for major emitters of toxics; and multi-media enforcement.

We will continue to pursue new technologies, like biotechnology and bio-remediation, which we used so effectively in Prince William's Sound and in Alaska.

We will continue to remain sensitive to the need for cost effectiveness and efficiency. This need is made clear by our own report, "The Cost of a Clean Environment."

We recognize that the challenges we face today, which range from pollution in the household to pesticide residues in food to growing threats to the planet's atmosphere and natural systems, require integrated solutions to focus resources on the most serious problems and make full use of all the means available to us, including many that go beyond our traditional command and control regulatory methods.

The foundation for the new direction in the agency's fiscal year 1992 budget is found in the report "Reducing Risk." Our decisions have been guided by risk reduction principles, to focus our resources and programs on the greatest environmental risks. Pollution prevention is being incorporated as a fundamental building block in all of the agency's programs. Multi-media strategies are being developed for the agency's enforcement efforts.

In fact, I have directed our enforcement staff to ensure that at least a quarter of the enforcement actions cite more than a single statute, and that remedies and settlements emphasize protection and clean-up of the environment and not just correction of the statutory offense.

To be effective, our strategy must translate into specific actions in fiscal year 1992. The agency's budget will focus resources on: 1) implementation of the new Clean Air Act, the most sweeping and important piece of environmental legislation in the last decade; 2) food safety through safer pesticides and improved pesticide registration; 3) protection of productive natural systems through multimedia actions targeting specific geographic areas through greater attention to the country's critical coastal ecosystems, and through more research and analysis of global climate changes; 4) reducing exposure to lead in the environment; 5) accelerated clean up of hazardous waste sites through better targeting of resources; 6) environmental education to foster environmental literacy throughout our society and a heightened sense of individual responsibility and stewardship; and 7) improved science, data, and economic analyses to ensure the integrity of the agency's decisions.

Let me now turn to some of the specifics of the agency's budget for fiscal year 1992. The agency's total budget request is $6.2 billion and 17,622 work years. EPA's budget includes three main categories: trust funds, funds transferred directly to the States through the construction grants program, and operating programs.

Our request of the trust fund programs, Superfund and Leaking Underground Storage Tanks, is $1.84 billion, an increase of $154 million, or nine percent over the appropriated level. Our trust fund's request also includes 3,693 work years, an increase of 135 work years over the fiscal year 1991 appropriated level.

The President's budget for Superfund provides $1.75 billion. That is an increase of $134 million or eight percent over the fiscal year 1991 appropriated level of last fall. This request recognizes the continuing progress under Superfund. More final clean up actions are underway. We have invigorated enforcement through our "Enforcement First" strategy following the blueprint of the Superfund Management Review, which I announced at my confirmation hearing before you, Mr. Chairman, and then unveiled in June of 1989.

These actions are shifting the burden from the Federal Government to potentially responsible parties. Last year, for the second year in a row, we secured more than $1 billion in private party contributions, up three-fold from 1988.

Our track record on Superfund management will continue as an agency priority. We are also enhancing our efforts to oversee the cleanup of waste at Federal facility sites where we currently have 80 interagency clean-up agreements. The Leaking Underground Storage Tanks request is for $85 million, an increase of $20 million or 31 percent over the 1991 enacted level. This budget will further expand our efforts in support of State capacity building to address leaking underground storage tank releases and also enforcement action.

The President's budget provides $1.9 billion for the Construction Grants Program. This includes $1.5 billion for the State Revolving Funds, which will continue the Administration's strong support for the capitalization of State programs. An additional $400 million is provided for targeted grant assistance to address secondary waste water treatment needs of Boston Harbor, San Diego, Seattle, New York, Los Angeles, and the international treatment plant at Tijuana, Mexico, where treatment needs are particularly acute.

The budget request for our operating programs is $2.5 billion, an increase of $164 million or eight percent over the fiscal year 1991 appropriated level. We are also requesting 13,929 work years, an increase of 705 work years or five percent over the fiscal year 1991 appropriated level. Let me highlight now some of the specific initiatives stemming from our emphasis on strategic planning and risk based decision making in our fiscal year 1992 operating programs.

I am proud of our collaborative achievement in getting a new Clean Air Act in 1990. Successful implementation of the new Clean Air Act is a priority of the President and the agency. In fiscal year 1992, more than 70 percent of the increase in the operating programs will be devoted to the Clean Air Act. The President is requesting $516 million and 2,514 work years for the agency to implement this legislation. The task is formidable, but the benefits are enormous—healthier air for all of us to breathe; reduced respiratory illness and cancer; cleaner factories, fuels and cars; improved visibility; better energy utilization and less dependence on foreign oil; and restoring and preserving our productive natural systems by vast reductions in acid rain precursors and compounds that cause ozone.

Protecting the Nation's productive natural systems is a high and growing priority for EPA. Protection of these systems is essential to the health of the Nation's economy, to the quality of life in America, and to our position of environmental leadership in the international community. The President's budget request of $205 million and 633 work years to focus on valuable wetlands, estuaries and coastal systems, and on the most important regional ecosystems, like the Great Lakes and Chesapeake Bay, which showcase the agency's new risk phase and multimedia approach to environmental protection. Our primary objective here is to help stabilize and protect earth's life support systems. To this end, we are proposing to expand the ecological monitoring and assessment program through the Great Lakes and the Gulf of Mexico. This research program is designed to identify and assess our Nation's ecological resources. The President's budget provides $21 million for coastal initiatives and resolution of major problems, such as nonpoint source pollution. The primary initiative, the Administration's coastal living resources initiative, is a collaborative effort by EPA, the U.S. Fish and Wildlife Service, the Corps of Engineers, and NOAA to develop a comprehensive plan for the protection, maintenance, and restoration of our Nation's coastal resources.

A second initiative with significant implications is for coastal regions is the implementation of the newly enacted Oil Pollution Act of 1990. The agency will increase its efforts to prevent and minimize damage from oil spills in the Nation's navigable waters. This effort will be funded in part by taxes on both domestic and imported oil production.

The fiscal year 1992 budget of $40 million for protection of the global ecosystem will strengthen the agency's global climate change programs. EPA has done some of the research, valued the world over, on the effects of climate change and possible policy responses to it. This budget will expand upon existing programs, including analysis of cost effective domestic policy options and scientific research to help us better understand global climate change. These are especially important in terms of the long-term, high-risk factors discussed in the "Reducing Risk" report.

The President's request provides 50 percent more resources than were available in 1991 for our work to reduce exposure to lead. We are evaluating the long-term efficacy of abatement and in-place management, improving training, and sponsoring research in order to advance our understanding of the health impacts from lead contamination.

We are emphasizing programs that reduce lead exposure to children, the most vulnerable segment of our Nation's population. The agency is working with other Federal agencies, such as the Department of Housing Urban Development and the Center for Disease Control, to reduce lead exposure.

The President's budget provides increases in resources to support environmental education in our recently established Environmental Education Office. This office will cooperate with many other offices in the Government and the private sector. The primary focus of this initiative will be to improve science literacy as the core for environmental education for in elementary and secondary schools.

The President's budget also includes increases to ensure the Nation's food supply is safer. Today, the United States' food supply is among the safest of any country in the world. Yet because of heightened public concern over food safety and increased Congressional interest in the President's food Safety Initiative of 1989, the agency has taken several steps to strengthen its food safety programs. These include additional public outreach and communication efforts regarding registration and tolerance decisions, accelerated review of applications for new pesticides and new uses, and increased inter-agency research to determine how agricultural chemical practices can contaminate ground and surface water and to identify possible water quality and ecological mitigation methods.

Taken together, these programs will continue to establish the U.S. Government as a world leader in food safety and human health issues, and will help protect our groundwater.

To provide more lasting and effective solutions to today's complex environmental problems requires a broader base of knowledge and more sophisticated analysis. Better knowledge and analysis can help decision makers anticipate problems, set priorities, and target resources to highest risk environmental problems. Using a stronger analytical foundation as the basis for public policy decisions also requires integrated data systems. The President's budget will strengthen EPA's research program to ensure that Agency decisions are based on scientifically sound data and analysis. Major increased areas for research include global climate change, Clean Air Act research, indoor air, electromagnetic radiation, bio-remediation of waste, assessment of exposures to various pollutants, and neurotoxic and reproductive effects from pollutants. These increases will also ensure that information and analysis in our labs are scientifically sound. The budget will also increase EPA's contribution to Presidential initiatives, including strengthening the Nation's scientific and analytical capabilities through improved math and science education and high performance computing.

The President's budget provides increased resources to strengthen our analytic and economic capabilities. We'll focus increased efforts on designing and analyzing innovative economic incentives that will enable us to provide guidance to EPA programs in carrying out the President's goal of increased use of flexible, market-based approaches in environmental management.

In conclusion, let me say that the proposed EPA budget for 1992 makes very clear President Bush's commitment to a better environment. As the President recently stated, the 1990's must be the decade when we focus our attention on finding the most cost effective, most efficient ways to promote pollution prevention, to reduce risks to human health in the environment, and to achieve environmentally sound, sustainable economic growth. It can be a new era of environmental stewardship; creating a safer, cleaner, more productive world for ourselves and our children.

This budget, consistent with a statement made by the President, requests the funds necessary to provide the resources and the leadership to make environmental progress throughout the 1990's and on into the 21st century.

Thank you, Mr. Chairman.

Senator BURDICK. Thank you, Mr. Reilly. This is a matter of some interest to this committee. What is the current Administration's position in elevating your agency to a cabinet level department?

Mr. REILLY. Thank you, Mr. Chairman. I appreciate that question. The President has made very clear, for over a year now, that he strongly supports elevation of the Environmental Protection Agency to cabinet level status.

We worked on that issue with committees in both the House and the Senate last year. We learned a good bit from the experience of working on various legislative proposals.

As reflected in a letter written by the Chairman of the Council on Environmental Quality to the Congress last week, there is an endorsement of cabinet status legislation that keeps out all extraneous—that is, all non-directly related—elements. This is an effort to try to ensure early consideration of the legislation with the least amount of controversy.

It is our sense that a "clean" bill would give us the best chance to get the agency into the Cabinet where it belongs for so many reasons, and then allow us, in a separate context, to address some of the other very valid concerns that a number of sponsors of different bills have expressed.

I hope that we will be able to work with the various parties on cabinet status legislation. We do, in fact, support some elements of Senator Glenn's bill. For example, the proposal to establish a Bureau of Environmental Statistics is in our view a sound one. It is a good one. We anticipate it in the budget that I am proposing today. But it has proved divisive and has raised concerns with other committees in the Senate.

In the interest of getting early and supportive action on cabinet status, we would like now to encourage the Congress to give us a "clean" cabinet elevation and then proceed to consider those other questions later.

Senator **Burdick**. I am pleased to see some money in your budget for the National Environmental Education Act. What activities do you have underway to implement that Act?

Mr. **Reilly**. We are proposing a $7 million increase and 14 full-time equivalent staff positions to support that Act in this budget, Mr. Chairman.

We are currently in the process of considering a number of options to make that relatively small amount of money go as far as it possibly can to stimulate environmental education throughout the country. We are recruiting for a director of the office. Also, we have placed the office within the Office of Associate Administrator for Communications and Public Affairs in the agency.

I have a sense from conversations with a number of science teachers throughout the Nation that when science instruction is married with environmental education to provide practical hands-on experiments, such as testing water for fecal coliforms or rain for Ph levels, it quickens the interest of students in science and math. It also serves to foster more interest in those areas which are so important to the country and to the future of EPA.

I would very much like to see an environmental education program at the agency that encourages and helps instructors in these subjects to accomplish their mission while at the same time raising environmental awareness.

Senator **Burdick**. Once again, no funds are requested to provide loans and grants to schools for asbestos abatement. Does this mean that you don't think asbestos is a priority or that all of the poorer schools have been helped with asbestos abatement?

Mr. **Reilly**. Mr. Chairman, over the last several years I think the Federal Government has spent upwards of a quarter billion dollars on asbestos grants. There is, I think, some $47 million outstanding in grants still to be made.

A couple of thousand or more schools have received grants for abatement activities under the program. Our sense of this problem is that the largest and most severe asbestos clean-up problems, particularly in the neediest schools and school districts, have substantially been addressed at this time. It is appropriate, therefore, to regard this program as, more properly, a State or local responsibility now.

Senator **Burdick**. Senator Lautenberg.

Senator **Lautenberg**. Thank you very much, Mr. Chairman.

Mr. Reilly, your pride in your mission, your pride in your organization can easily be understood, but I think when you talk about pride in this budget, I find it kind of hard to reconcile with the serious interest you have in a better environment.

I am glad that we didn't send our people to the Persian Gulf with the kind of resource support that this budget has to carry out an agenda because otherwise, I don't think General Schwartzkopf and some of the others would have been able to do the job that they have.

I see it, in particular, in programs like the Revolving Loan Fund, the Sewage Construction Grant Program. It was so arduously crafted here. Senator Chafee from Rhode Island was one of the principal architects.

What do you think is going to happen to these State revolving loan funds in terms of capitalization under the budget proposal?

Where are they going to be able to get the money? Are they going to be able to replenish those revolving funds?

Do you have an analysis of some kind?

Mr. REILLY. Mr. Chairman, we have provided in the last couple of budgets fairly significant support for State Revolving Funds. We do so again in this budget. We are requesting some $1.5 billion to support them. This will not do the entire job, obviously, but those are the resources that we are working with.

I think we have made it clear that the State Revolving Funds do have our support. They are being capitalized. That is, as you suggest, the way that we had anticipated the problem would be dealt with on into the future.

Senator LAUTENBERG. But not on these levels. The levels were significantly higher, and we are not going to come close if we continue on the course that we are with the total support for the program that was negotiated.

Did EPA ask OMB to recommend sewage treatment grant funds for the specific projects that you outlined, the earmarked projects that are in the EPA budget?

Mr. REILLY. We did not ask for support for all of them, but we did for a couple.

Senator LAUTENBERG. There are three projects on the West Coast: Tijuana, San Diego, and Los Angeles. Is that a coincidence of some kind that I fail to understand?

Mr. REILLY. I think OMB sometimes has difficulty figuring out how we think. I don't want to try to characterize how they think. I cannot tell you, Mr. Chairman, other than to simply say that there is no question that there is a very large need in these communities.

The gap, particularly in Boston, is a very significant one. The expectations there have been very high and were raised during the President's campaign. I visited there myself this last spring and I got a strong sense of the kinds of costs and sacrifices that the citizens of Boston are going to have to make to clean up that harbor. So we proposed a contribution that, on the scale of things, is not that significant, albeit substantial in our budget—$100 million.

The problem in San Diego, where 25 million gallons per day of sewage that has been coming over from Tijuana, is not likely to be addressed without a fairly significant commitment from the United States. The resources are not available from Tijuana.

Senator LAUTENBERG. Like New Jersey and a few other places, Mr. Reilly, you know so very well because you are familiar with the environmental problems throughout the country.

I don't doubt the severity of those problems. But I would have to tell you that when OMB or someone besides the EPA decides which of those are the priority sites, I get concerned about it. It is fairly obvious that California needs help in its environmental battle, but so do lots of other States.

Do you have any analysis that supports those decisions. Is there a rating system that says these are the people, the areas that need help most and that your areas around the Gulf of Mexico or the Atlantic Ocean or what have you?

Mr. **Reilly**. We can provide an analysis that will simply underscore what I have already said about the substantial need that exists in these areas—a large gap which is created by the very high cost of treating the waste up to secondary standards. Also, there is severe degradation in these areas of coastal environment that has resulted from treatment failure. Whether one can make the case that these areas are more needy than others or that there aren't others similarly situated, I wouldn't go that far.

[The information referred to follows:]

RATIONALE FOR CONSTRUCTION GRANTS EARMARK

Selection of the five cities to receive special grant funds was based upon the large gap between needed wastewater treatment and planned or actual construction and the risk imposed on critical coastal habitats. These communities have large secondary treatment needs which when met will result in significant improvement to the degraded coastal water around them. In addition, these communities were cited in a recent National Oceanic and Atmospheric Administration study as having higher levels of chemical contaminants in their bays and estuaries. Current wastewater treatment needs for the five cities, based upon the 1988 Needs Survey, are as follows:

City	*Current Needs ($)*
Boston	2,005,548,000
New York	1,032,517,000
Los Angeles	848,746,000
San Diego	553,922,000
Seattle	510,716,000

Senator **Lautenberg**. Bill, you strongly support the concept of pollution prevention. How do we justify a cut of $4 million from the 1991 appropriation for pollution prevention grants to States?

Mr. **Reilly**. As in any budget exercise, there are choices and trade-offs that we confronted.

Senator **Lautenberg**. Are you happy with that cut?

Mr. **Reilly**. I am not happy with that cut, but relative to other cuts that might have been made to avoid it, I think that we made a decision that we can defend.

Let me just say that our commitment to pollution prevention is a very serious one. We made it right from the start two years ago when we set aside 2 percent of the dollars from our AC&C account. By doing this, we got $11 million for pollution prevention initiatives. It is something we have now built into the base to get $22 million.

As I mentioned in my statement, we are carrying out our enforcement activitiesin ways that try to craft settlements that recognize not just a statutory offense, but also enhance pollution prevention. We are emphasizing pollution prevention throughout EPA, including our lead initiative and in pesticides and water grants. It is a story that is a very good one for the agency, and more than dwarfs the $4 million reduced from the grant proposal.

I would be glad, Senator, to work with the committee on this issue and go through those particular parts of the budget. As we emphasize pollution prevention and cross media initiatives, one thing that is very clear to me is that it becomes increasingly difficult to present this information in an understandable, coherent way.

The whole history of the agency and of the way Congress relates to it, is through specific statutes and media. We are no longer doing things that way. We are in a period of very significant transition. However, sometimes perhaps because of statutory constraints, we may miss pollution prevention opportunities or may be unable to exploit them where we see them. I would be very pleased to work with the committee and with you on that

Senator LAUTENBERG. Thank you very much, Mr. Administrator. Thank you, Mr. Chairman.

Senator BURDICK. Senator Chafee.

Senator CHAFEE. Mr. Reilly, you have some of your assistants with you. I see Bill Rosenberg. I wonder if you could perhaps identify each one of them as they stand up. I know I would enjoy seeing them.

Mr. REILLY. All right, sir. Yes, indeed. Let me start over here way in the second row. The General Counsel, Don Elliott.

In front of him on my far right is John Martin, the Inspector General.

Next to him is the Assistant Administrator for Research and Development, Erich Bretthauer.

Next to him is LaJuana Wilcher, Assistant Administrator for Water; EPA's Comptroller, Dave Ryan; Richard Brozen, the Budget Director. Sorry, Dave was called out of town. I better look instead of reading my chart here. We have a few ringers.

Assistant Administrator for Air and Radiation, Bill Rosenberg.

Senator CHAFEE. That's a slimmed down Bill, isn't it?

Mr. REILLY. He has gone through some rough months that have taken weight off. He said even inches off.

Linda Fisher, Assistant Administrator for Pesticides and Toxic Substances.

Don Clay, Assistant Administrator for Solid Waste and Emergency Response.

Ray Ludwiszewski, who is Acting Assistant Administrator for Enforcement, with the departure of Jim Strock, an appointment I announced last week.

Finally, on the end, Dan Beardsley, Acting Assistant Administrator for Policy, Planning and Evaluation, as Terry Davies left us on the first of March.

On the far left, Tim Atkeson, Assistant Administrator for International Activities, which as you know, in this Administration, is now a Presidential level appointment.

Senator CHAFEE. Thank you. I think you have got a very fine team, Mr. Reilly. I know Jim Strock was selected by Governor Wilson of California to be head of his environmental agency as I understand it. Is that separate from the Department of Environmental Management?

Mr. REILLY. I think it is the California EPA, yes, sir.

Senator CHAFEE. It is the California EPA.

Mr. REILLY. It is a new agency that Governor Wilson committed to establish in his campaign.

Senator CHAFEE. And he chose Jim Strock. I think that is a tribute to you and to your team, that Governor Wilson would come and select one of your individuals to go out and head that very, very important unit.

Mr. REILLY. I appreciate that point, Senator. I am very proud of this staff. I would just like to point out that I am also proud of those who were invited to take such jobs—there are several seated behind me—and who did not choose to accept them from Governors around the country. I am particularly grateful to them.

Senator **Chafee**. You were mentioning your international activities. I noticed in your statement that you talked about being of assistance to Cracow, Poland both in the abatement and cleanup as well.

It is on page four of your printed statement, "to help Cracow, Poland purify its drinking water and control its air pollution." That is a very exciting undertaking.

Plus you've got a CFC entity set up in Budapest. On the bottom of page eight, you describe an opening of a central and Eastern European regional center in Budapest. I was not aware of those activities.

Could you just say a couple of words about the Cracow effort?

Mr. **Reilly**. When the President made his historic visit to Poland in the summer of 1989, he announced a commitment to help restore the very seriously degraded and really ravaged environment of that country. He chose to help one area that is particularly impacted by very severe air pollution from the Nowa Huta steel works. It also has a very serious problem due to the contamination of the river which is now unsuitable to be used for drinking water.

Cracow is the historic city of Poland and it is the old capital. Therefore, we committed funds to help them. We have air pollution monitoring equipment that we have constructed there. We have also provided aid for a new drinking water facility and reservoir.

I think it is a commitment that is designed to test some new technologies, to give them the benefits of American experience relative to the size of the problems they have. It is not large, but it has been very well received in that country.

You mentioned something about CFC's in Budapest. It is not CFC, sir. It is the Regional Environmental Center. The Budapest Center to which we, the European Community, and others as well, committed some funds, is now known as the Bush Center.

EPA has provided one of our most effective staff members to serve as the program director for that center. The Center is trying to work throughout that region to ensure that there is a cooperative effort in implementating policies so that these policies will be effective.

Senator **Chafee**. That completes my time. I am just delighted that you are doing this and that EPA is doing this. I think that the United States has traditionally had a world leadership role, as you so well know, in the environment.

I have been to Cracow. Many of the members perhaps have. It is a shambles environmentally. Anything you can do, I am sure, will be appreciated by the Poles. So I am glad you are doing this. Obviously, it takes some funds, probably not a great deal. You have been an Assistant Administrator for International Affairs now.

I just commend all of those activities and express my appreciation to.

I notice my time is up. Thank you, Mr. Chairman.

Senator **Burdick**. Senator Smith.

Mr. **Reilly**. Those funds, by the way, Senator Chafee, are provided in the SEED Act. They are part of the overall integrated assistance to Eastern Europe that we have been providing.

Senator **Smith**. Thank you, Mr. Chairman. Welcome, Mr. Reilly.

I just want to make a couple of comments. When I complete those, I wanted to give you some time to think about it. To give me some of the examples of the educational initiatives that EPA is focussing on in the budget.

Some of the comments from some of my colleagues just seem to rub me the wrong way. I believe that your office, under the leadership of President Bush, has done a remarkable job. I want to compliment you on it.

Listening to my colleague, Senator Metzenbaum, comment about you, the EPA, being the caretaker of the air we breathe and the water we drink—I don't agree with that. I think that the American people are the caretakers. I think every mayor, every governor in every State in the Union, every councilman, every business, every individual in one way or another who has allowed this pollution to take place in whatever form over the past two centuries are the caretakers, and they haven't done a very good job of it.

I certainly don't think that we should expect you to miraculously take care of it all in a matter of a few years. But I want to compliment you.

I think that as I look at the budget and as I understand it, you have put a great priority, 70 percent, of the increase in your operating budget, on the Clean Air Act implementation which we are very grateful for in New England. You have emphasized ecological protection, especially wetlands in coastal areas. You have worked very hard in lead reduction, food safety, Superfund, leaking underground storage tanks, construction grants, all of these things. The Clean Air Act was going nowhere in the Congress until President Bush, with your able assistance, exercised leadership in that regard and frankly pushed the Congress to move it. It didn't please everybody, but at least we got a Clean Air Act and we are beginning to move in that direction.

You also initiated leadership on the Alaskan oil spill that was appreciated. I know you are a modest man, but I would like to put it on the record that I think your leadership has been very ably demonstrated. I want to commend you for it. I am very thankful for it.

Just one question back to the original point. I just believe that if we are going to ever get solutions to these problems, and there are so many out there, that we have got to—to use an analogy—teach the puppy not to go on the rug. If we continue to let him go on the rug, we are going to continue to clean it up.

Education, I think, is the answer ultimately. Tell me a little bit about some of the initiatives that you have put in your budget. I would like to hear some of those because I really do think that that is the ultimate solution here.

Specifically, you had something in there on elementary and secondary schools. I think that is where we need to start.

Mr. **Reilly**. The Environmental Education Act of 1990 gives to EPA, and I think it is an expression of great confidence in the agency, the responsibility of developing a program to administer an educational effort without a great deal of specificity, but to respond to a very strong concern felt across the country. We need to do a better job of training people to take a holistic view of the environment, and to give some expression to the ethic and concern they feel for the environment. We have some $7 million and a new first rate Environmental Education Board that we are putting together. We have been recruiting for the board during the last couple of months.

We want to be very careful not to pretend that we can do more than anyone could do with $7 million. We also do not want to intrude into local prerogatives by appearing to prescribe new curriculum content, for example. But we do want to support new ventures in environmental education for kindergarten through 12th grade. This involves new activities that involve children and students directly in contact with the environment that raises their expertise and improves their technical capacity, particularly in science as it relates to the environment. It provides internships, or perhaps programs that involve students working with EPA laboratories.

Just a couple of weeks ago in Austin, TX, I visited a group of science students who were doing extensive sampling of river water and had been doing it for some time. They were learning both a great deal about the practical applications of science, and were also significantly increasing awareness in the Austin area about what environmental problems are, particularly their nonpoint source problem. That is the kind of thing that I would very much like to see this program encourage.

Senator **Smith**. I agree with you. I commend you for that, because I believe that that is ultimately going to get us to the point where—we are not going to have to spend as much because we are not going to create as much. That really is the key. We have to begin that process. I think you have done that. I really do. Initially, your agency was involved almost 100 percent in cleaning up. We still have to do that. There is a tremendous amount to be done. But we have to stop producing this waste. I commend you for focussing on that in your budget.

Thank you, Mr. Chairman.

Mr. **Reilly**. I might just mention one creative use of our authority to foster environmental education. In a recent settlement with Formosa Plastics, we collected a fine of something in excess of $3 million. One million dollars is going to go into the new environmental education foundation.

Senator **Burdick**. Senator Lieberman.

Senator **Lieberman**. Thank you, Mr. Chairman. Mr. Reilly, I want to return to the question of the State Revolving Funds which you and Senator Lautenberg engaged in some dialogue on. I do so, as you can guess, because of my concern that so many of our Nation's water pollution problems are really sewage problems. I am familiar with this because of the particular example of Long Island Sound, which is close to us, but it is true more generally in the country. We have got to figure out a way, I think, to join the Federal and State and local governments in a partnership to fix this problem or we are not going to be able to enjoy the benefits of clean water for swimming and recreation, let alone drinking, into the future.

In 1988, EPA did a needs survey. Its estimate of the amount of money that would be needed to upgrade sewage treatment construction or sewage treatment facilities was $84 billion. I wonder if you have any estimate now of updating that 1988 estimate of the National need for support to upgrade our sewage treatment facilities?

Ms. WILCHER. We currently are completing our 1990 estimates of updating these studies. The trend seems to be that we are going to find some decreases in what some cities were originally projecting over the long term. There was, of course, a 20-year period they estimated their needs. However, because so many municipalities are, in fact, in compliance now, we are expecting that might come down, except for the inflation.

Senator LIEBERMAN. So some has been done since 1988.

Ms. WILCHER. Yes.

Senator LIEBERMAN. That will lower the number. In some cases, cities have revised their estimates based on experience. That might reduce it down. In other cases, obviously, inflation will send it up.

Do you think it will still be around $83 billion?

Ms. WILCHER. We haven't completed our final survey.

Senator LIEBERMAN. What kind of time table are you on in revising the needs survey?

Ms. WILCHER. It should be done sometime in the spring.

Senator LIEBERMAN. Fine. I look forward to that. Let me just go into a few of the details that we talked about before. Senator Lautenberg talked about why the cities were chosen for the grant program. Let me ask you why a grant program?

In other words, I know you had cited what cities were selected—I thought that the administration had decided that the better use of dollars would be in the State Revolving Funds because they revolved as opposed to one-time grants. Why the decision to go into a selected grant program?

I think you can understand that part of our reaction to that is obviously no, it would limit the State Revolving Funds which keep on going. But it means that there is less for the rest of us who are not going to get grants as a result of the grant subtraction.

Mr. REILLY. I understand that, Senator. I think the simple fact is that if you want to make a difference in those areas where the gap between the resources available through the State Revolving Fund and the need is so large, we had to do it this way. We did want to make a contribution to it. There are separate authorizations for at least two of those five areas. We have been criticized in the past for not supporting the appropriations, particularly to the Boston Harbor Authority, and have done so now in a reasonably significant way certainly relative to past experience.

I suppose the broader issue is merely to have the colloquy you have had on the size of the need generally in the country versus the amount of funds that we're talking about here. It is very clear that the lion's share of this problem is now a State and local one. We recognize that. These grants are not intended to create a precedent for wholesale specific appropriations for particular areas in the future.

We are looking at special coastal degradation problems that are so large in these areas. We continue to assume, as we must, going into the debate on the Clean Water Act that the understandings reached a few years ago will be kept.

Senator LIEBERMAN. Obviously we are going to continue this discussion as time goes on. I just want to reflect that certainly in our part of the country, I think the State and local governments are really ready to commit a lot of resources to the cleaning up of the waters. I am afraid we don't have enough to do the job. Therefore, we are going to have to try pull the Federal Government most likely through the State Revolving Fund to do more to make it happen.

Mr. Reilly, I want to ask you one final question. Oh, I guess my time is up. I'll wait until the next turn.

Senator BURDICK. Mr. Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Reilly, I would like to change gears a little bit here. As you well know, the United States is attempting to negotiate a free trade agreement with Mexico. And as you also well know, there are very many environmental concerns in the negotiations. As you further know, the Trade Act really does not contemplate addressing these environmental concerns. Therefore, the quandary.

There are many in our country who feel that those concerns should be addressed in some meaningful pragmatic responsible way. They include transport of pollution problems. They include competitiveness concerns. That is, American workers concerned that because of lax environmental enforcement in Mexico, that many American businesses will be enticed to move to Mexico. I mention this because genuinely more and more questions are being asked about American competitiveness from an environmental point of view.

We have recently enacted the Clean Air Act. It is going to be very costly to American business. In the long run, it is going to be very, very beneficial. In fact, the economic benefits of the Clean Air Act far outweigh the economic costs of the Clean Air Act, let alone the aesthetic environmental benefits of the Clean Air Act.

There is a convergence now between trade and environmental concerns. It is happening. It is coming together. So I would like your views as to how, in a meaningful way, we can address in the short term the environmental problems that we are facing with Mexico as we negotiate a free trade agreement.

There are some who say that environmental concerns should be part of the agreement. There are others who say we should negotiate a bilateral agreement and environmental agreement concurrently and parallel with the free trade agreement. Then there are others who say if we do that, we lose the leverage.

I would like your views on what we should do.

Mr. REILLY. Senator, we are very much concerned with those questions. We are in the process now of specifically considering how to insure that the moment we confront a free trade agreement between both our countries, which promises so much economically, it can also be one that improves and elevates the environmental standards. This is particularly the case in Mexico which affects 80 million people who are subjected in many cases to a very degraded environment.

There are a couple of questions you have raised. One has to do with the competitive situation. I think it is important to note that the Salinas Government in Mexico has taken environmental more seriously than any of its predecessor governments.

It has taken very substantial costly, often painful decisions, to try to improve air pollution in the Mexico City area, including removal of sulfur from diesel fuel, removal of lead from gasoline over time, requiring manufacturing of new cars with catalytic converters, purchasing new bus engines, having no-drive days, and a whole range of other actions that actually have an impact already on air pollution in that city.

They are also talking with us about substantially enhancing their enforcement of environmental protection, especially along the border. This would impact many of the problems that have been of serious concern to citizens in California, Arizona, and Texas. They will continue to do that.

I think we'll commit to apply world standards with respect to new industry that locates in Mexico. I was present at the recent discussions in Monterrey between our two governments with President Bush and President Salinas and also included a number of industrial leaders from both countries. President Salinas looked to the industrialists particularly. He said, with only the industrialists in a room, aside from government officials, "I want to make very clear that Mexico's future must include an increased and improved standard of living." The environmental quality of Mexico is essential to that.

Senator BAUCUS. I appreciate that, and I agree with the intention. The Salinas government is moving mountains to raise Mexican living standards. I very much commend it. I mean the boldness and leadership of the Salinas government is astounding. I agree with all that.

Nevertheless, I am trying to find a mechanism where we are listing not just words well intended but so we can have some greater assurance in America, that something is going to happen. So I am asking what, with respect to the free trade agreement negotiations, in a meaningful, concrete pragmatic way makes sense?

Mr. REILLY. I think that we all agree that we would like to see greater attention to questions of similarity, if not harmony, between the way our two countries deal with, for example, pesticides with certain controls and standards with respect to new industry, with a heightened enforcement sensitivity, and with more money for the environment.

Senator BAUCUS. Are you negotiating or beginning to set a framework for potential negotiations and bilateral environmental treaty or agreement of some kind?

Mr. REILLY. We are in almost daily conversation with the Mexicans about their environmental performance. I think we have gone into those discussions with the sense that we don't want to encumber the free trade agreement if we can find an alternative means of insuring satisfactory environmental commitments. That is not a decision that has been made, though, frankly.

Senator BAUCUS. I urge you to make a very definite decision because we have to strike while the iron is hot. We have this window of opportunity. It is up to two years now. We should take advantage of it. I want you to take advantage of opportunities as they come by. I urge the Administration to find some concrete solid way that we can address this.

In my view, off the top of my head, we should negotiate an agreement with Mexico that is parallel with the free trade negotiations, but condition the ratification of a free trade agreement not only on economic concerns but also conditioned on the bilateral agreement as well. That is the leverage that we have.

Mr. REILLY. Apart from the treaty itself?

Senator BAUCUS. That's my view. When we address the trade treaty when it is brought back to the Congress on the fast track procedure—and we have up to two years to do so - - that we in the Congress should obviously assess the economic merits of that agreement, to see whether it is in the United States' best interest.

In addition, I think that we should withhold approval of that treaty condition upon an agreement with Mexico on environmental matters. That is the leverage that we have. Mexico very, very much wants a trade agreement. I mean they stake their whole—The Salinas government stake their whole political future on it. That gives us leverage. I think we should take advantage of it.

Mr. REILLY. I agree with you that the way to approach this is to try to understand and encourage the Mexicans to see that this is a moment that requires very high priority for environmental protection.

I do think, however, it would be a tragedy if, on environmental grounds, we frustrate or make impossible a free trade agreement that, more than anything else, offers the prospect of sufficiently increasing resources to allow the Mexicans to upgrade their environmental standards. It is the resources that we haven't had, for example, in Tiajuana and so many of those other places that we now must address.

Senator BAUCUS. I encourage the Administration to look into this and find some way.

Mr. REILLY. We are indeed.

Senator BAUCUS. I would like to work with you on it because it is very important to me.

Mr. REILLY. I would look forward to working with you on that, Senator.

Senator BAUCUS. Thank you.

Senator BURDICK. Senator Reid.

Senator REID. Thank you, Mr. Chairman. I would like to direct a question, Administrator Reilly, to Linda Fisher who is in the audience seated behind you. You testified that the agency hoped to publish neural toxicity testing guidelines in about 60 days. You testified this way last October. What is the status of those guidelines; the 60 days is gone.

Ms. FISHER. I am proud to say they are out.

Senator REID. As of when?

Ms. FISHER. Maybe two or three months.

Senator REID. Sorry about that.

Ms. FISHER. We missed our 60-day deadline by about 30 days.

Senator REID. That's not bad.

Ms. FISHER. That's what I thought.

[The following letter, correcting the record, was submitted by Ms. Fisher:]

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, DC.

March 29, 1991

The Hon. Quentin Burdick
United States Senate
Chairman, Committee on Environment and Public Works
Washington, DC 20510

DEAR MR. CHAIRMAN:

I am writing to correct the record of the Committee's March 7 hearing on the Environmental Protection Agency's budget. At that hearing, in response to a question from Senator Reid, I stated that the Agency's guidelines for neurotoxicity testing had already been published. In fact, I was mistaken as to the status of the guidelines.

The Revised Neurotoxicity Test Guidelines for pesticides were signed on march 13, 1991. They are available through the National Technical Information Service of the U.S. Department of Commerce.

I apologize for my effor. If I can provide any further information, please let me know.

Sincerely yours,

LINDA J. FISHER
ASSISTANT ADMINISTRATOR

Senator REID. I look forward to reading them. Mr. Reilly, how many resources, and what I mean here is how many man years in funding, are included in the fiscal year 1992 budget request to carry out the lead strategy?

Mr. REILLY. The amount allocated throughout the agency to our lead strategy is $33 million, Senator. Also, a hundred and five work years is allocated to support the lead strategy.

Senator REID. Are these resources adequate to do the job, do you believe?

Mr. REILLY. Yes, sir. I think that the lead initiative, while ambitious, is highly leveraged. It is exploiting the strengths that we have at EPA while avoiding duplication of those that exist at HHS, the Center for Disease Control, HUD, and OSHA, our partners in this effort. I am confident of it.

Senator REID. One of the things that I am interested in, and we are going to do some more work on this, is the problem we are having all over the country with wetlands. Who calls the shots? Is it the Corps of Engineers or is it the Environmental Protection Agency?

We need not talk about it here today, other than to be alerting whoever is with you on this problem that we're having on this around the country should be advised that we need to get into this. It is from Nevada all over the country that is creating a lot of problems, because as you know, there is a continual battle as to who controls that process.

Mr. REILLY. I think in this Administration, we have dove-tailed more closely than ever before the relationship between the Corps of Engineers and EPA which together have the responsibility for administering section 404 of the Clean Water Act.

We now give precisely the same advise and information to the regulated community together. We defer to the Corps in terms of jurisdictional questions regarding wetlands. We do have review and veto authority, which we exercise very rarely.

Let me just say that in the Administration, we are very conscious of the rate of wetlands losses, which is somewhere in the range of 300,000 to 500,000 acres a year. That is the reason the President committed to "no-net loss of wetlands" as an Administration goal.

The Domestic Policy Council is developing a number of initiatives which express that goal. We also are reviewing the delineation manual that may have contributed to much of the confusion and uncertainty, and certainly to a lot of criticism, of the wetlands authority.

Senator **Reid**. When will that review be completed?

Mr. **Reilly**. I think it is a matter of a month or so away at this point. We have substantial agreement on a number of elements that we are proposing to change. Some of the effects of the delineation manual on our jurisdictional responsibilities were inadvertent. We did not intend, when it was issued a few weeks before we took office, to have the broad increase in responsibilities that it, in fact, seemed to suggest. It is that primarily that issue we are trying now to hone down.

Senator **Reid**. We'll talk more about that. Before we leave the situation with lead, it is my belief that the public doesn't appear to be aware of the hazards of lead as perhaps it is of other things like smoking, asbestos or even radon.

I would hope that part of your strategy with lead prevention would be that we alert, through public education programs, parents, teachers, day care operators and others about the potential dangers of lead.

Mr. **Reilly**. It will be a part of that effort, Senator. On the lead issue I had the pleasure two days ago of releasing the new air quality data for the Nation's performance over the past year and then we looked back over the past ten years. I think over the past ten years, we reported a decrease in ambient lead levels of 87 percent. Looking back over 20 years, of some 96 percent.

It may be that there is less awareness or sensitivity now because some have judged the problem to be under control. As you know, and as I testified a few weeks ago, that is not the case. There are still large exposure problems particularly affecting children and that is going to be a major focus of this lead initiative.

Senator **Reid**. Mr. Chairman, I have a number of other questions I would ask permission to submit in writing to the Administrator; especially I have some questions about the Carson River Superfund site. If you could get back to me with those as soon as possible, I would appreciate it.

Mr. **Reilly**. Yes, sir.

Senator **Reid**. Thank you.

Senator **Burdick**. Senator Moynihan.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator **Moynihan**. Thank you, Mr. Chairman. I have a statement that I will place in the record.

Senator **Burdick**. So ordered.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Mr. Chairman, I am pleased to see Mr. Reilly here with us again today to advise us on how we can best focus our resources on protecting the environment. That this is no small issue is brought home in a report recently completed by the EPA with the help of the Environmental Law Institute, *Environmental Investments: The Cost of a Clean Environment*. The report estimates that this Nation currently spends $115 billion per year complying with Federal environmental regulations, or 2.1 percent of GNP. Now, this is only 30 percent of what we spend as a Nation on health care, which is what we are trying to avoid spending more on by protecting people from environmental pollutants, so it may well be a sound investment. But we must remember that EPA's budget, some $6.2 billion is requested this year, largely determines how effectively this much larger figure is spent. Consequently, it deserves our careful attention.

When Mr. Reilly was last here with Professor Loehr of EPA's Science Advisory Board, he told us that his Agency was embarking on a bold program to focus its efforts and its talents where it could make the most difference in reducing environmental risks. I will be interested to see how this effort is reflected in EPA's budget request. In fact, I was so impressed by the testimony of Mr. Reilly and Professor Loehr, I have drafted a bill that I hope will help EPA to reduce the most egregious risks to the greatest number of people and the ecological resources upon which their health and welfare depend, within the intent of our current environmental statutes. I will be sharing this bill with you in the very near future, and will welcome your advice and comments.

Senator **MOYNIHAN**. Mr. Chairman, we have some good news for the agency and soon what we hope to be a Department, which is that we have been in discussions with Mr. Austin of the GSA and Mr. Reilly about the Federal Triangle Building at 14th Street and Pennsylvania Avenue, which will be the jewel in the crown of the Federal Triangle begun by Andrew Mellon 70 years ago, and suddenly stopped all construction in 1931.

That site has been a parking lot for 60 years. It is worth a billion dollars in real estate. We are going to put up the finest Federal office building ever.

Senator **CHAFEE**. Moynihan Memorial Building.

Senator **MOYNIHAN**. No. Mellon.

Senator **CHAFEE**. That's the other jewel in the crown.

Senator **MOYNIHAN**. No. And it is going to go to the Department of the Environment.

Senator **CHAFEE**. A substantial portion of it.

Senator **MOYNIHAN**. 1.3 million square feet. It will be, after the State Department, the second largest departmental building on this side of the river. I think it is a very promising fact. I want to thank Mr. Reilly for—well, I think you ought to thank Mr. Austin, as a matter of fact.

But that seems that we have to have a hearing on that, Mr. Chafee would want to know. We will schedule that very shortly. There is a hole in the ground and the building is going up.

James Freed, a partner of IMK, is the designer. We are all going to be very pleased, and I hope you are. You can get out of that sick building you are in.

Mr. **REILLY**. Nothing has done more for EPA in my time there, not even I think the enactment of the Clean Air Act, than the announcement that we were finally going to get out of the building we are now in and get into the very distinguished new building that is proposed for that site.

I am very pleased to hear you speak about this decision that the President and the Administration have made and to propose that we go there with such enthusiasm. You do have a hearing next week. The occupancy decisions have to be approved by the Congress, Senator, and we will be very grateful to you.

Senator **Moynihan**. Do not forget the Chairman and never fail to mention Senator Chafee. I should just get thrown in for good measure since I have some knowledge of the Greater Metropolitan Washington area.

Senator **Warner**. But we recognize, Mr. Chairman, Mr. Moynihan's very extraordinary and deep-seated feelings about this city and its environs and the necessity to have these structures erected in a way that will stand as lasting testimonials to this Capitol of the United States and the free world. I admire you, my dear friend, for what you have done.

Senator **Moynihan**. I thank my friend from Virginia.

Mr. **Reilly**. I might just add that I was a staff member at the Council of Environmental Quality in the early 1970's, and had some peripheral exposure to the energy that you invested in the Pennsylvania Avenue development plan. It was a very different Pennsylvania Avenue then and I think your vision, sir, and consistent support have been rather obvious now and quite visible.

Senator **Chafee**. And the Supreme Court Building.

Senator **Moynihan**. The Judiciary Building.

Senator **Chafee**. Judiciary. It was constructed here. There is a very fine Moynihan lecture on the subject that deals with the design of the Union Station and the Post Office next to it.

Senator **Moynihan**. We were going to put that Union Station at the bottom of Capital Hill. Mr. Cassat, who was president of Pennsylvania Railroad whose sister was Mary Cassat——

Senator **Chafee**. This is the lecture.

Senator **Moynihan**. They agreed to move it over to where it is now if Congress would just kind of build the new post office next to my railroad station. He was not the president of the Pennsylvania railroad for nothing. Then the greatest architecture of the——

Senator **Chafee**. It is a four minute lecture. It is a good one, though.

Senator **Moynihan**. —bribed a steward on a Q&R line to get him a deck chair next to Mr. Cassat. Before they reached England, he had got the design for those buildings. He built the station as a gateway to the city. He built the post office. Senator Chafee and this committee, we are building the Judiciary building. It's already there. You can go out and look at it. It is the second building we have ever built for the courts. It will be ahead of schedule and under budget.

Mr. **Reilly**. Without the necessity to have bribed a steward and moved the deck chairs.

Senator **Moynihan**. That is why it is under budget. I have some other questions, but I don't want to keep you beyond thanking you for this. If it didn't get enough attention, it will. Your study of environmental investments, "The Cost of the Clean Environment," I think, issued about five days ago—I don't know if the committee even has copies. "The Cost of Clean."

You make a very powerful statement. We are talking here of a budget of $6 billion. But in fact, as you report, the present cost of environmental regulations are $148 billion. That cost we make other people pay. It is easy for us to do that because it costs us nothing. It is the real cost in economy. You have begun to measure it. That is very important.

By the year 2000—Senator Warner would be interested in this—the cost of environmental legislation will be getting close to half the cost of national defense as a percentage of GNP. So watching this and measuring it, and the contemplated Bureau of Environmental Statistics is more than an exercise in neatness; it is a real economic issue.

But I will return to Mr. Chairman.

Senator **Burdick**. Senator Warner.

OPENING STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

Senator **Warner**. Thank you, Mr. Chairman. I, too, will submit my statement for the record in the interest of time.

Senator **Burdick**. Without objection, so ordered.

[Senator Warner's statement follows:]

Opening Statement of Hon. John W. Warner, U.S. Senator From the Commonwealth of Virginia

Mr. Chairman, I would like to welcome and thank Administrator Reilly and members of his staff for coming today and sharing with us the Administration's proposed fiscal year 1992 budget for the Environmental Protection Agency (EPA).

We are all very much aware of our country's deficit problem and the need to curtail the Federal Government's spending. Therefore, I would like to commend the Administration for proposing a responsible budget in light of the agency's tremendous workload, specifically in meeting the requirements and deadlines mandated by the landmark Clean Air Act Amendments of 1990.

I would also like to commend EPA's recently announced goal of striving to prioritize environmental problems based on the best scientific information rather than on public perceptions which unfortunately has been the trend of the past. We have been told that this budget has been based on the priorities established by the findings of EPA's Scientific Advisory Board. This effort to concentrate time and resources on the environmental problems which pose the greatest threat to public health and to the environment deserves the support of the Congress.

However, I must mention the concerns I have with some of the proposed cuts in the proposed budget. In addition to the $50 million cut in the toxic substance control budget and the further cuts in the Federal contribution to State revolving loan funds for the construction of municipal wastewater treatment facilities, I am particularly concerned about the call for a major reduction in the State Grants Program for nonpoint source pollution control. EPA's Science Advisory Board Panel has stated that nonpoint source pollution is a very serious environmental problem. The Administration's proposed budget does not reflect this finding.

As we are all aware, nonpoint source pollution accounts for more than half of the Nation's water pollution. With many States—including the Commonwealth of Virginia—experiencing significant financial crises of their own, I believe the proposed cut in Federal funds for such a critical program should be reevaluated. And as the General Accounting Office will testify today, the Federal Government needs to address the financial difficulties which local communities will face in meeting environmental regulations and deadlines. I believe Congress should attempt to maintain current funding levels for all State programs.

In closing, I would like to thank Administrator Reilly and the Administration for continuing to recognize the importance of restoring such fragile regional ecosystems as the Chesapeake Bay which the Administrator has recently stated is a "high and growing" priority for EPA.

I am hopeful that Administrator Reilly's testimony today will address the concerns I have mentioned and give the committee confidence that the Administration's budget request is appropriately focused and sufficiently funded.

Senator **Warner**. Mr. Chairman, I have enjoyed listening to our distinguished colleague from New York this morning.

Mr. Reilly, we welcome you and your associates.

I have two thoughts I would like to share with you. If I may just give you a little background. Here on Capitol Hill, we run from group to group, do the best we can to listen and take into consideration the views of our constituents. But yesterday, I had my annual meeting with the Farm Bureau. The most marvelous group, I would say, numbering about 150 individuals. All of them actively engaged in agriculture. Senator Robb and I spent the better part of an hour with them.

Naturally, the bulk of the questions related directly to agricultural issues. Then at the end, a very classic individual stood, and spoke on behalf of the group. He said, Senator, we are witnessing an unconstitutional taking of our land as a consequence of these wetlands issues.

I know that you are working on section 404 matters. My staff has advised me that you have addressed one question on that today. But is there further information that you can provide now in this hearing for the members of this committee so that we can better answer our constituents on this issue?

That one question yesterday was the most difficult that we had to deal with. We are all desirous of preserving the Nation, but somehow the folks that till the soil are just totally perplexed how their fathers and their grandfathers worked this same soil and now it is literally being taken from them.

Mr. **Reilly**. Sir, let me say that wetlands are probably the most contentious issue that I have coped with during my time at EPA. It has a long history. It touches on some of the most intimate relationships that people have with their livelihood and their property to the degree that expectations about what you can do with wetlands have been altered as we have understood more about their functions.

That has posed serious problems for a number of people, and particularly for the farm sector. Some of those problems are larger, I think, in their minds than in fact or may be attributable to the laws or the way we are currently administering them. I believe we have addressed a good deal of the current concern in the agricultural community.

The delineation manual that was issued in January of 1989, did create a good deal of confusion in the minds of the public and the regulated community as well as in the minds of some of the people working for the Corps of Engineers and EPA, both of whom were implementing it.

Jurisdiction was asserted over lands. I saw some of these lands in Maryland, on the Eastern Shore, for example, that had been in farming use and agricultural use for 200 years. That was not our intention. It was an inadvertent consequence of the application and interpretation of that manual.

Not long after we discovered the size of that problem, some regulatory guidance was provided by the corps to make very clear that cropland converted prior to 1984 was not subject to this regulation. We currently are working to put out a revised manual.

I should point out that conventional, routine farming operations are not constrained in any way by our program. The alteration of some of these lands for development purposes is where the problem tends to arise. So there should be no difficulty for anyone who wants to stay in farming.

We are certainly not impacting that choice through the implementation of this program. I would very much hope that before this comes up in the Clean Water Act debate, we can fix this problem by attending to the delineation manual and by working with some of the States to try to get a classification system of wetlands, so that we can put to rest the concept that you sometimes hear that too much is being made of highly impaired, degraded nonproductive wetlands.

We clearly have a problem of both fixing the manual and clarifying some of our Federal policies. We have an even larger problem of communicating to some of these very anxious communities and sectors about wetlands. I give that the highest priority. We will do everything we can to get to a "no-net loss" policy.

Senator **Warner**. My time is about to expire. I am reassured that you are going to try to address this in such a fashion that it will give us some guidance as we approach the Clean Water Act. Everything in Washington runs with a pendulum. I think we are too far over here, frankly, hurting innocent people.

These farmers don't understand manuals, Mr. Reilly. They don't have time. They barely have time to get up in the morning and do their work and pay their bills. They are all living on the narrowest of profit margins if in fact there is any profit to give them a fair return for their labors. But they are frightened. They are genuinely frightened about the Federal Government and what that government is now doing and could do. I want to remove that fright, and give them a sense of confidence and reassurance that we know what we are doing up here.

I would prefer that you try and take this course of action, rather than the Congress grabbing that pendulum, which could swing it too far in the other direction.

Mr. **Reilly**. I am going to speak to the American Farmland Trust at lunch today on the subject of wetlands.

Senator **Warner**. Would you drop my name as one of the ones that said that I think we ought to get going on this thing?

Mr. **Reilly**. I will indeed.

Senator **Warner**. I happen to be a farmer myself. I have more than a passing interest in this.

Mr. **Reilly**. I appreciate that.

Senator **Warner**. I thank you very much, Mr. Reilly.

Mr. **Reilly**. I thank you, sir.

Senator **Burdick**. Any Senator have anything further?

Senator **Chafee**. Yes, I do.

Senator **Burdick**. You will be recognized.

Senator **Chafee**. Thank you, Mr. Chairman. Mr. Reilly, I would just like you to briefly address the matter of what I believe is the truth. That the more prosperous a country is, the better chance that the country will be strong environmentally.

I am sorry Senator Baucus isn't here, but I think we're heading down a slippery slope if we make the—for those of us who are interested in the environment, to make our approval of the Mexican-U.S. free trade agreement contingent upon Mexico entering an environmental agreement with us, because that opens the path for all sorts of similar contingent arrangements.

Example: Why shouldn't the Labor Committee come forward and say we make our approval—that is, the individual Senator's approval—of the Mexican-U.S. free trade agreement dependent upon Mexico entering a minimum wage law? Or a maximum weekly hour law before time and a half goes into effect or certain child labor laws that conform with ours?

If that is going to be true, then others will get into it, and we'll never have a Mexican-U.S. free trade agreement. I believe, and I would like your reaction briefly to the statement I made that if this Mexican-U.S. free trade agreement can make Mexico wealthier and more prosperous, then the real chances are that Mexico will take strong steps to improve its environment.

Mr. Reilly. I think that is precisely right. Mexico has an extraordinary economic opportunity in free trade and while they have given it their highest priority even before it became part of their policy or ours, they also began to give much more attention to the environment.

I think that we want to stay on two courses. We want to move towards free trade, and we want to continue to work with them on the environment. We have an EPA environmental attache, by the way, in Mexico City now—the first ever—who has been giving almost full time attention to some of these questions and to some of the border environmental problems.

As I have said to a number of environmental group leaders, it would be a tragedy if the environment became the issue on which free trade floundered, because no larger opportunity has been presented nor is likely to be. Certainly, environmental issues won't be better dealt with if we don't get this free trade agreement.

So we have got to embrace both goals—the environmental and the economic opportunities we have with free trade in a way that is mutually reinforcing because, fundamentally, I think they are.

Senator Chafee. I am not quite sure what you are saying. What would you have take place? Let's say we have a free trade agreement that we are working on—the U.S.T.R. is. Now what would you say about the environment in connection with that?

Mr. Reilly. I think the kinds of questions that have been raised about the very asymmetrical environmental standards that exist in Mexico, for example, with respect to a number of activities—pesticide regulation, clean air and the like, are not trivial.

I think they do deserve attention and they could be exacerbated if we don't attend to them. We should recognize that the Mexicans fully intend to deal with them but lack the necessary resources to address them on the scale needed to cope with them now. But they can anticipate from free trade significantly more resources to deal with the Tijuana water pollution problem as well as a whole range of other problems.

I would not urge—I had a long conversation with Carla Hills about this last evening—that these issues and the other ones that you mentioned necessarily be included in the free trade agreement itself. As you suggest, we want to avoid encumbering it with so many things that it is finally weighted down.

But it is not inappropriate for us to respond to some of the concerns and criticisms that have been raised by pointing out to the Mexicans some of the environmental shortcomings, ones that they are very aware of and they want to address anyway. Nor is it inappropriate to put ourselves in a position to say to some of the critics of free trade based on environmental grounds, that it is free trade perhaps that serves to foster heightened awareness of the environment and get even more commitments than might otherwise have been made.

Senator **Chafee**. I think that is the message we have to get across. Obviously, we want to be helpful in every respect. To the Mexicans, you, yourself, mentioned subjects like removing lead from gasoline, catalytic converters in automobiles, a host of other steps that we might urge them to undertake. But I am very worried about this. I think there is some five of us on this committee who sit on the Finance Committee. Senator Baucus, likewise, of course, sits on the Finance Committee. So these are deep concerns for members of us on the Finance Committee.

I want that free trade agreement with Mexico. I think it will be a great advantage to us. I must say that in the course of the hearings on the free trade with Mexico, I never discovered so many environmentalists who have suddenly showed, who hadn't previously indicated deep concern about the environment.

I just think that it would be unfortunate if they use concern for the environment as a convenient method of voting against the Mexican free trade agreement. I am not referring to any Senators on this particular panel would use that.

Mr. **Reilly**. I couldn't agree more. I think if free trade goes down, the environment is likely to get worse in Mexico and not better.

Senator **Chafee**. I think that is important for that to get on the record. In the course of our hearings in the Finance Committee, I will quote you to that effect.

I see my time is up, Mr. Chairman.

Senator **Burdick**. Senator Lieberman.

Senator **Lieberman**. Thank you, Mr. Chairman. Mr. Reilly, I want to come back to the Chemical Safety and Hazard Investigation Board. I must tell you that this one bothers me personally.

As you know, one of the central targets of the Clean Air Act was the emission of chemicals into the environment, which worries a lot of people, including yourself and in terms of their impact, not just on the environment, but on human health. As part of that, we were focussed on not only the continuous emission of the billions of pounds of chemicals into the air, most of which we can't see, but on the separate incidence where there is a major accident which we do see and there is damage.

We created this board which was intended to be an independent board patterned after the National Transportation Safety Board, which investigates airline accidents. We made it independent so that it would be able to go in without any ties, look at an accident and then come back and make recommendations to the chemical industry and also to the EPA, OSHA, other relevant Federal agencies as to what might be done to avoid similar accidents in the future.

I understand that when the President signed the Clean Air Act, he expressed some concerns about this board. But he did sign the Act. The board is included and authorized in the Act. It therefore was created.

I think it is very troubling that members have not been appointed, and now in this budget, it is not funded on the basis of some notion of constitutional concerns. I would like to hear about those constitutional concerns, but I also want to say, really, through you to the Administration that this is a problem that we really ought to act on urgently because these accidents continue to occur.

I gather that within the last week, there was a serious accident in Lake Charles, Louisiana. I believe that there was one fatality as a result of it. Other serious injuries. The board really should be in existence to rush right down there, find out what happened and help us avoid that kind of problem in the future.

So let me begin by asking you if you could explain what these constitutional concerns are?

Mr. REILLY. Sir, I recall very well the long nights that you, Senator Lautenberg, Senator Chafee, and others put in, and particularly the interest that you had in this issue when we were negotiating on Clean Air just about a year ago. We did, in fact, finally see the Chemical Release Board and Risk Assessment Board included in the law.

The President's statement at the Clean Air signing ceremony included some concerns about the Constitutionality of the removability of the Board members, and its capacity to function in more than an advisory way, such as also prescribing some regulations. There is no funding for the board, as you indicate, in EPA's budget but there is an intention to propose $5 million in funding for the board. This is a budget item that OMB has included along with 30 work years for the board as an independent agency in the 1992 budget once legislation is enacted.

Senator LIEBERMAN. So there is money in the overall budget for the board for fiscal year 1992.

Mr. REILLY. Yes, sir, as an independent agency. Legislation will be proposed for later transmittal to Congress to address some of these Constitutional concerns. We have two people working with other agencies, including the Department of Justice, OMB, OSHA and some of the others, to try and straighten this out and to get the legislation up here as soon as we can.

So there is every intention of creating it, of setting it up, of appointing people to it, of staffing it, and financing it.

Senator LIEBERMAN. Well, that is good news to hear. I appreciate the role that you are playing in advocating that. I guess I would say two things. One is that I hope we can do the curative legislation as quickly possible. Secondly, I really think it would be an act of good faith to go ahead and appoint the members—get the board going, because these accidents are continuing. We need this board. Then we will try to get the curative legislation through as quickly as possible.

I have the feeling that some of the concerns that I have seen expressed are not going to be enormously difficult to handle legislatively. I might contend with them. I might say that some of the comparable language is in the National Transportation Safety Board, but my priority is to get the board going. I would gather that would be the feeling of most members of the committee. So I hope we can move this as quickly as possible.

Mr. **Reilly**. I think it is the question of removability for cause versus having an appointment at the pleasure of the President. It is one that has arisen in a number of pieces of legislation. It was an issue in the House-passed EPA cabinet status bill last year. I think this is but one more example that those kinds of provisions do get into legislation that we otherwise support. They simply create problems and delay us getting on with the job.

Senator **Lieberman**. Let's hope that we can work that out quickly.

Thank you, Mr. Chairman.

Senator **Burdick**. Senator Moynihan.

Senator **Moynihan**. Yes. Let's go back to what Senator Chafee was speaking about. He, in turn, was responding to and extending some remarks of Senator Baucus, who is Chairman of the Subcommittee on International Trade of the Finance Committee, of which all three of us are members.

The question is the cost of environmental regulation. As Senator Chafee very properly says, we have discovered an enormous number of environmentalists in trade hearings which we had not previously encountered. They were talking about costs.

So the question is what are the costs? And do you save a lot of money by moving to Mexico for reasons of avoiding environmental regulation or don't you? What costs are imposed on our part of North America by events? And their part of North America? Canadians have the same issue with wind blooms and things like that.

That is why the Clean Air Act last year, which the President spoke about so well last night, we very specifically provided in section 812, that there would be a cost benefit analysis in the bill. It would be a permanent part of the legislation. Section 812, analysis of cost and benefits, economic impact analysis, and so forth.

There is a paper just out by the vice-president of Resources for the Future, who is Paul Pourtnoy, a very respected economist, who estimates in 10 to 15 years, the recent amendments to the Clean Air Act, last year's measure, would add more than $30 billion to annual compliance expenditures. That is an economist's assessment. He thinks that the benefits will be about half that. Well, that is an economist's view. Other economists might have other views.

My question to you, sir, is—and I want to hear you say what I think you believe. You want to put the environmental program in this country on a cost-conscious basis. We do not want to end up being a country where if you have a new idea, pick it up from this country and manufacture it somewhere else because you will get into this problem or that problem.

On acid rain, we continued the National Acid Precipitation Assessment Program. We asked that a specific registry of acidified lakes be maintained. Then we asked that there be a benefit cost analysis for the whole legislation, not unaware of how difficult it could be to assess certain kinds of benefits.

When we asked the Chairman of the Statistical Review Committee—you might recall Senator Chafee was here, a professor from Oak Ridge, Tennessee—about the acid rain provisions. What would be the largest benefit given what NAPAP had found? He said the largest benefit would be visibility. Well, you have just done something in Grand Canyon. You managed to figure out some cost weights—giving some weight to visibility. It is not as simple as a market purchase. It is a preference.

Can I ask you: in your budget, what are you providing for in terms of the section 812 of the Clean Air Act, benefit cost analysis?

Mr. Rosenberg. Senator, I do not have a specific amount for you, but we are devising a plan on a high priority basis to work jointly with the Office of Policy, Planning, and Evaluation. This plan will address two areas. First, we need to provide a report to the Congress on the overall costs of the bill. Second, we have an obligation under an executive order to do a regulatory impact assessment on a case-by-case basis for each regulation. The regulatory assessments will determine overall costs.

We are now jointly working on this on a priority basis and it is within the budgets of both the Office of Air and the Office of Policy, Planning, and Evaluation to do a benefit cost analysis. We will have the specific case-by-case analyses and are working together with economists and scientists. It is really built into our overall budget, rather than a separate item for that study.

Senator Moynihan. Thanking you, sir, could I say let's get in that writing? Could we have a benefit costs analysis of reports to Congress?

[The information requested follows:]

CLEAN AIR ACT—SECTION 812 IMPLEMENTATION

To comply with the requirements of section 812 of the CAA, the Office of Air and Radiation (OAR) will work jointly and cooperatively with the Office of Policy, Planning, and Evaluation (OPPE). The Deputy Assistant Administrator of OAR and the Director of OPPE's Office of Policy Analysis will co-chair a CAA benefit-cost analysis steering committee, comprised of senior representatives from OPPE, OAR, and the Office of Research and Development (ORD).

The major task for this committee will be the development of methodologies necessary to carry out the analysis. These will be jointly agreed upon and the Steering Committee will operate on a consensus basis. These methodologies will then be used to conduct individual rulemaking economic analysis (RIAs) and the overall benefit-cost studies. OAR will have the lead responsibility for preparing Regulatory Impact Analyses for specific rulemakings and will actively involve OPPE and ORD. These RIA's will serve as the components for the aggregate benefit-cost studies and reports to Congress specified in the bill. OPPE will have the lead in preparing these aggregate studies and will actively involve OAR and ORD.

OAR and OPPE have incorporated, within the President's fiscal year 1992 budget submission, resources to support analysis of Clean Air Act costs and benefits and preparation for the report to Congress. EPA does not have a separate line item for this activity because the work will, in part, reflect input from a number of the individual regulatory activities.

Mr. Reilly. Benefits might be particularly hard to calculate and provide numbers for.

Senator Moynihan. Well, what do they cost and who reads them? How many do we require, which we will never see? Of persons with no professional training in the matter will read and not have any grounds for judgment one way or the other?

I have to say to you with great earnestness that we have the largest scientific research program in history that went into the acid rain provisions.

Senator Chafee. At a phenomenal cost. What was the cost?

Senator Moynihan. Half a billion dollars.

Senator Chafee. I mean we have had studies around here, but never anything that approached that cost.

Senator Moynihan. The original legislation, which I got through in 1980 when this was just a trout fisherman's provision, called for $50 million over 10 years. Then when this became a clean air and big issue in the 1980's—Mr. Reilly, please give us a little report on that, too? We would like to know how did 50 become 500? I think the administration directed that people chip in from their research budgets. Can we get that from you?

Mr. Reilly. Yes, sir. We will go through that.

[The information requested follows:]

Acid Rain Research Budget: Fiscal Year 1980–Fiscal Year 1992

In thousands of dollars

	FY80	FY81	FY82	FY83	FY84	FY85	FY86
S&E	$11,211.1	$9,919.3	$10,163.1	$4,720.7	$4,685.8	$6,470.2	$5,105.9
R&D	91,672.1	73,712.0	37,389.4	20,272.4	31,569.8	50,337.2	47,591.7
Total	$102,883.2	$83,631.3	$47,552.5	$24,993.1	$36,255.6	$56,807.4	$52,697.6

	FY87	FY88	FY89	FY90	FY91	FY92	Total
S&E	$5,500.0	$5,368.8	$4,503.2	$3,162.5	$1,835.9	$1,886.3	$74,532.8
R&D	52,389.2	49,885.7	49,975.7	30,162.6	11,785.9	11,785.9	558,529.6
Total	$57,889.2	$55,254.5	$54,478.9	$33,325.1	$13,621.8	$13,672.2	$633,062.4

Senator Moynihan. Nobody has ever told us; but in any event, could we get that? We got that information, and without saying this is a fact, let me just say to you that it was understood that the information was not to have any influence of any kind on the legislation. I do not ask you to respond one way or the other. You know what you know and I know what I know.

So we agreed then that we would put in the benefit cost analysis. After half a million dollars of research, research was put aside. Commitments were kept: campaign commitments on the part of the President; campaign commitments on the part of the Majority Leader; and so on.

So we would like to know that Section 812 is really going to happen, and there are going to be resources put to it. Surely, you are already getting that registry of acidified lakes, aren't you?

Mr. Reilly. We are supporting continuation of NAPAP and all of those requirements in this budget, Senator. We will continue to do that. We are also strengthening our economic analytical capability. We are providing something like a million more dollars for economic analysis in our Office of Policy, Planning and Evaluation. We also have a new environmental statistics project with another half million dollars that anticipates a Bureau of Environmental Statistics. I think it is a very strong part of the EPA program. Certainly, we attended very carefully to the costs of Clean Air, as we could anticipate needs in the negotiations through our preparation with the bill last year.

Can I say something, though, about that? I think, with all due respect to economists—and I am not one—we have not been very good. We at EPA have consistently over- estimated the costs of environmental regulations. The farther out in the future that they were to take effect, the greater our mistakes with respect to the costs of scrubbers or of the lead phase-out or of the catalytic converter requirements and so on and so forth. That has been a fairly consistent phenomenon.

Senator Moynihan. You drove technology, which moves faster than you had thought.

Mr. Reilly. That is precisely right. The $30 billion cost estimate is higher than the Council of Economic Advisors' estimate of $25 billion in 2005 that we all agreed to. I think those numbers have to be taken with some skepticism. I think they are likely to be lower than that, in fact.

I think also that economists do a particularly poor job of putting values against benefits, whether it is premature deaths or visibility in the Grand Canyon or visibility from the acid rain investments. What we are proposing to do in ten years on acid rain, the Germans did in about three.

I believe that these are investments that society can afford. I think they are investments that are appropriate in our society. We are happily now making them and very proud of the acid rain title and the rest of that law.

Senator Moynihan. If you do not mind my saying—it was my legislation to begin with.

Mr. Reilly. I remember very well, yes, sir.

Senator Moynihan. I am just trying to keep us honest about it because you have to keep the Congress honest since we have no money to spend on anything. For the rest of this decade, there will be protracted structural deficits. There is no cash to spend that we can spend, but we can make other people spend it. That requires a certain amount of responsible restraint.

I have one more question, but Senator Chafee is still here.

Senator Chafee. You go ahead, and then I will ask my question.

Senator Moynihan. Yes. In that respect, I wonder if we could just ask you and your associates here to give a little thought to the present distribution among what we think to be the seven basic statutes that you deal with, which are these awful names: FIFRA, TSCA, RCRA, CAS, SDWA, CERA. I mean these are insecticides, toxic substance, clean water, resource conservation, clean air, safe drinking water and the Superfund.

Mr. Reilly. And add rigoletto.

Senator Moynihan. Add rigoletto. That would be the amendments to clean water. We'll work on that. Ripple inducement ground. I've already got the beginning of the Clean Water Act.

On two of these—the Clean Water Act and Resource Conservation Recovery—in fact, we provide for zero risks. In the early enthusiasms of our movement, which is maturing and you are helping it to mature, we did tend to talk about zero risks, didn't we? I see Mr. Habicht agreeing. I think you are pondering.

Mr. Reilly. Let me just comment on the question you are raising. I am not exactly sure. As suggested by the Science Advisory Board's report, "Reducing Risk," together with the second report that you referred to a few minutes ago, the "Cost of Clean," if you look at those two reports together, they do have an interesting relationship to one another.

They show that there are very large costs associated in keeping some of the commitments that we have and in implementing some of our laws. The scientists have concluded that some of the largest costs are not in the areas of some of the largest threats.

Senator Moynihan. Right. You did see a ranking of priorities that is quite different from what we have given you statute by statute. You would like to come back to a more systemic proposal philosophy about what matters most to you.

Mr. Reilly. I think the thrust that we are making within the agency where we have a Risk Assessment Council chaired by the Deputy Administrator and across the whole Federal establishment is to try to get an increased correlation between the resources that we deploy, the ones we apply to a problem, and the significance of the problem itself as best we can measure it.

Senator Moynihan. A perfectly fair response, sir. Could you give us some analysis of these seven statutes in terms of the absoluteness of the mandate as against the relative balancing of costs and benefits?

[The following is the response to the above request:]

RISK ASSESSMENT OF EPA'S SEVEN BASIC STATUTES

You have asked a very important question. Our staff is now discussing the type of analysis we can develop. We will provide further information on this subject in the near future.

Mr. Reilly. Yes, sir. We would be pleased to do that.

Senator Moynihan. That is what the policy office should be interested in doing. You would agree that there is no such thing as zero risk, is there?

Mr. Reilly. Probably not. I think you once pointed out that life is a large risk and it ends badly.

Senator Moynihan. Specifically life is a bitch and then you die. But in the interval, there are degrees.

Thank you very much.

Mr. Reilly. It is our job to stretch out the interval and make it more pleasant.

Senator Moynihan. There you are. Or less unpleasant. Thank you all.

Senator CHAFEE. As we march through this veil of tears, I have a more prosaic suggestion to you, Mr. Reilly. I think I made this to you or perhaps to your predecessor. Anyway, it is an offer that is still open. That is, one of the things we blithely do up here is levy upon you reports because if there is any general way out of a problem in which there is controversy up here, some people suggest we'll ask for a report and make it an annual report. No one is opposed to that since all it does is just impose some more work on you and doesn't cost us anything usually.

I would give you an opportunity to assemble a list of those reports that have been levied upon you by this committee—annual or biannual or semi-annual or whatever it is—that you think are useless and come back to us with that list and we'll make an honest effort, at least I will, to see if we can relieve you of those duties and have your people spend their time in a more productive way.

By the way, don't ask the people who are preparing the reports to evaluate whether it is necessary or not. There might be some thought, I suppose, of those who were working on them that you might be depriving them of a living if you ask them whether their reports were useful.

That is the first proposal offered to you.

The second is a question. I think we all agree now that nonpoint source pollution is probably the cause of about 50 percent of total pollution that we have in our rivers and streams. Of all the efforts we undertake, this is an extremely tricky area, as you know, because it is not as simple as dealing with point source pollution where you just set up standards and that's it.

You provide money for the waste treatment plant or you don't, but nonetheless, the community must meet the standards. We don't have anything like that in nonpoint source pollution. It is an area that we are gently trying to work our way into.

We know that the objections raised is that the Federal Government is into land use planning. That, of course, is violently opposed by many senators.

Why have you, in effect, cut in half the amount of money for this area?

Mr. **Reilly**. As you said, the nonpoint source problem is a very large one. It is a contributor to half or more of the water quality problems, the water pollution we have in the country. Our reports have made that clear over time. Most of the measures necessary to address it do involve some interventions on the land that are inappropriate to Federal oversight or at least direct Federal control.

The view has been that this is primarily a State and local responsibility as is land use generally. We in this Administration acknowledged a Federal responsibility and role for the first time by proposing $15 million in grants for nonpoint source control last year and now some $26 million in this budget. That is not as much as the Congress appropriated last year, which is $51 million, but it is moving in a direction I think you would agree with.

Senator **Chafee**. How can you can say moving in the direction if last year was 51 and this year, it is 24.

Mr. **Reilly**. I am talking about the President's budget which three years ago included nothing. So we have acknowledged a role that previously hadn't been acknowledged, and I think created the basis for addressing nonpoint source problems in the context of the reauthorization of the Clean Water Act. It is positive and is seen as a significant problem. It is probably the largest cause of water pollution problems and has been substantially unaddressed as a matter of national policy. We expect to give it high priority in reauthorization.

Senator **Chafee**. You mean in future reauthorizations?

Mr. **Reilly**. I mean the one that we are going to undertake in this Congress.

Senator **Chafee**. Well, I missed a beat there. I think you just said you intend to give it a higher priority in the reauthorization; yet, you have come into less money than last year.

Mr. **Reilly**. We have come in based on a lot of concerns.

Senator **Chafee**. I mean when we are dealing with $24 and $50 million, and no one is sloughing that off as nothing, but in the big scheme of things and with the sums that you deal with, it is relatively modest; although obviously you have got a whole host of demands for your monies.

It just struck me, when you are dealing with 50 percent of the problem, to cut back on the money. The only way we can approach this is really through inducements to the State. That is the approach we took when we did this before. I guess it was last year. It is to put the money out there to inveigle the States into coming up with a program.

Mr. **Reilly**. I think there is always some weariness about the growth in State grant programs and concern to make sure that they don't acquire the characteristic of an entitlement program. In the way we have administered these grants identified the leadership efforts in the various States, and supported those that are really committed to best management practices and have the most promising programs. Again, the experience we have had with some of them is going to assist us in making decisions about the proper role of nonpoint source control in the new Clean Water Act.

Senator **Chafee**. As we both know, it is a very serious problem. I suppose it is addressed in your estuary programs likewise, isn't it?

Mr. **Reilly**. Yes, it is. Nonpoint source is addressed in a number of our programs, particularly in those 17 estuary programs, and it emerges as a very large contributor to the problem. Those programs have focussed on opportunities and needs. The Chesapeake Bay Program has been a particularly successful—nonpoint source control has seemed to be effective and has certainly received higher priority as a result of what we learned about its contribution to the problem through this program.

Senator **Chafee**. Thank you. Thank you very much, Mr. Chairman.

Senator **Burdick**. Thank you. Any further questions of this panel?

Senator **Moynihan**. Great thanks to you all.

Mr. **Reilly**. Thank you, sir.

Senator **Chafee**. Yes. I join in that.

Mr. **Reilly**. May I just add, Mr. Chairman, before we close? We spent a good deal of time talking about environmental education today, but not with you who are, in fact, the father of many of our environmental education programs within the agency. You have had a lot to do with creating the awareness and support for the statute that was passed in the last Congress. So I just simply would like to acknowledge that, and thank you for it.

Senator **Burdick**. Hear, hear. Grandfather perhaps. Thank you for coming here today. We'll proceed with the second panel. Thank you very much.

Mr. **Reilly**. Thank you, sir.

Senator **Burdick**. Welcome to the committee, Mr. Hembra. You may proceed.

Mr. **Hembra**. Thank you. I have a full statement, Mr. Chairman. With your permission, we could submit that for the record. At this time, let me just spend a couple of minutes summarizing that statement for you.

Senator **Burdick**. Your full statement will be received for the record.

Senator **Chafee**. Mr. Hembra, I will say one thing. If in your summary, you could—and I don't know whether you have set it up this way—if you could follow in the sequence of your statement, it helps us a lot. In other words, presumably, you will be touching upon various sections of your prepared statement. It makes it easier for us to follow it if you follow the same sequence that you have in your printed statement, if possible.

Mr. **Hembra**. I will make sure I do that.

Senator **Chafee**. Thank you.

STATEMENT OF RICHARD L. HEMBRA, DIRECTOR, ENVIRONMENTAL PROTECTION ISSUES, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. **Hembra**. Let me begin by saying that over the last decade, environmental pollution concerns have resulted in EPA's responsibilities growing enormously. For example, the 1980's saw significant new responsibilities for EPA under the amendments to the Clean Water Act, the Safe Drinking Water Act, RCRA, FIFRA and Superfund.

For fiscal year 1992, EPA's operating budget request appears appreciably higher than in previous years—$2.5 billion, which is a seven percent increase over 1991. However, in constant, that is 1982, dollars, EPA's proposed operating budget which covers all programs, other than Superfund and wastewater treatment construction grants went from $1.7 billion in 1979 dropping down to a low of $1 billion in 1983 and working its way back up to $1.7 billion in 1991.

In addition, when you look more closely at the proposed budget, it is evident that gains in certain programs, such as the $117 million increase in Clean Air are partially offset by cuts elsewhere. For example, you see reductions of close to $50 million in asbestos abatement loans and grants, and nearly $25 million in nonpoint source water pollution grants.

In short, these numbers tell us that EPA continues to have no more resources to deal with environmental problems than it did 13 years ago. Given the current budget crisis, it is highly unlikely that the agency will have additional resources anytime in the foreseeable future.

Moving from the budget itself, let me share with you some observations that GAO has on policy and program barriers that EPA faces in dealing with our Nation's environmental problems over the next decade.

Our first observation deals with setting priorities. The EPA and the Science Advisory Board have concluded that many relatively low risk environmental problems are receiving extensive public attention and Federal resources while higher risk problems are receiving far less attention and resources.

My point here is not to endorse either EPA's or the SAB's particular rankings or to suggest that Federal funding to certain programs should be eliminated. Instead, I simply want to stress the need in the time of limited resources to better allocate them to areas posing the greatest health and environmental risk.

Our second concern has to do with how EPA is managing its responsibilities. In our view, measuring changes in environmental conditions is a necessary part of assessing the effectiveness of programs, as well as making risk based decisions concerning resource allocations. However, funding constraints and difficulties in developing indicators of environmental conditions have resulted in EPA primarily relying on activity based indicators.

We are also concerned about improving specific environmental programs. The traditional approach of requiring polluters to adhere to performance or technology standards has helped to control pollution from large stationary sources, such as factories and power plants. Selectively supplementing this approach with marked-based incentives and pollution prevention strategies, however, could be more effective in controlling environmental problems while proving less costly to the economy as a whole.

Finally, EPA projects that by the year 2000, local government costs will increase from $19 billion a year to over $32 billion in order to meet existing and new Federal environmental standards. Small communities of less than 2500 people may find these new costs prohibitive, in part, because they are less able to expand their financial obligations.

EPA is aware of the problems I have just discussed. We believe, however, that the agency can position itself better if it takes some additional actions. For one thing, we would like to see EPA work more closely with the Congress to identify specific opportunities for more dramatic shifts in resources to those problems that present the greatest risk to human health or the environment.

Because of the importance of public opinion in shaping such an agenda, the public has to be better informed about the relative seriousness of the Nation's environmental problems to bring credibility to EPA's risk based initiatives as well as its management effectiveness, EPA needs to devote more attention to and perhaps even centralize within the agency its environmental data collection efforts.

As the number of major environmental statutes become due for reauthorization during the 1990's, EPA can help the Congress by developing timely information on additional ways to integrate nonregulatory program approaches to reduce environmental pollution. This is also the right time for EPA to begin identifying for the Congress those communities that are likely to find it difficult, if not impossible, to pay for environmental requirements. Such information wouldinclude alternative forms of assistance for these communities, and possible legislative or regulatory relief.

With that, I will conclude my remarks, and take any questions you might have.

Senator BURDICK. Thank you very much. A lot of emphasis these days is placed on how much money is being spent on pollution control activities. At the same time, pollution control industry seems to be a booming business. Yet we don't hear much about that.

Is GAO doing anything to assess growth in the pollution control business in the number of people that it employs?

Mr. HEMBRA. No. We have not done any specific reviews, Mr. Chairman, looking at the growth of the environmental industry. But there are studies out there that readily identify environmental industry growth.

In fact, we have created an environmental response industry that is quite large. A point that would be of interest to this committee, and it is certainly one that the agency has had to contend with and we have seen it as we have looked at various programs is with the growth of that industry. That industry has drawn from EPA very talented individuals and has affected, I think, in the long run the stability and the continuity of some of the programs that EPA has been asked to manage.

Senator BURDICK. Your testimony touches on an important point concerning the problems that small communities have in meeting environmental requirements. Do you have any recommendations as to how we can do a better job in helping these communities meet their responsibilities?

Mr. HEMBRA. I think it is very important to point out, Mr. Chairman, as I have mentioned it in my oral statement and in my full statement, that small communities, those having 2500 people or less, are really stretched extremely thin. In some cases, they just simply find it financially prohibitive to meet financial obligations to come into compliance with existing environmental regulations, not to mention being in a position to deal with any new ones coming down the road.

I would like to point out that we are talking about, in this Nation, some 13,000 plus communities. When you look at the community level, Mr. Chairman, what you see is this. You see the basic infrastructure in place, specifically as it has to do with wastewater construction facilities—excuse me, wastewater treatment facilities, and as it has to do with the community water systems. Those systems provide safe drinking water to the public. These are aging facilities. They need major renovations in order to be able to respond to new requirements.

There are, of course, the need for new facilities where simply making modifications or trying to make improvements do not do the trick. What EPA has done and what the administration has done is moved away from construction grants themselves to a capitalization grants for State Revolving Funds.

What Mr. Reilly, I believe, failed to point out and I think it is very important for this committee to know, is that the initial indications are—and of course, we have a review underway with regard to State Revolving Funds, that it is anticipated that the State Revolving Funds are only going to take care of perhaps 20 percent of the need of those small communities in dealing with their aging infrastructure, their need for new infrastructure and the operating financial requirements associated with complying with the environmental regulations on the books.

Senator **Burdick**. One point of your testimony is troubling with respect to the issue of small communities. You suggest that among the means of assistance, "legislative or regulatory relief," are options. Telling one or more small communities that have to put up with a lower standard of environmental protection is not acceptable. Would you comment?

Mr. **Hembra**. I would not want to sit here and say that lowering any environmental standard for the public, whether you are talking about large communities or small communities should be viewed as acceptable.

What I would say is that we have to recognize that if we stop looking at the problems individually and begin to look at our environmental problems in a much broader sense, there are initiatives that can be taken that may ultimately result in certain requirements being reduced, depending upon the situation.

There may be requirements on the books, for example, Mr. Chairman, as it relates to safe drinking water that perhaps do not necessarily come into play with certain small communities but they may be forced because of the way the regulation is now structured to deal with them. I think that is something that the agency has to take a look at.

I think that as perhaps a cost alternative to just having those communities make major modifications to their infrastructure or build new facilities, that there may be some other technologies out there that can be acquired. These communities are not aware of them.

Something that I always try to stress when I appear before committees such as this is the educational requirement that EPA has and should have to help the public be aware of what is out there and what is available to them.

One other potential option is to recognize that small communities are going to have to simply be tied into larger community systems so that you can have an expanded population base and in that way would be able to lower the cost to those small communities to help come into compliance with the environmental requirements.

Senator **Burdick**. I am aware, of course, and I hope you are, that for communities many miles apart, that wouldn't be a very good option, would it?

Mr. **Hembra**. No. You are absolutely right. You have to look at the particular situation. I would say in some of the higher density areas, satellite systems may work; but then again in those areas basically made up of very small communities, there has got to be some other options.

I think that what we are trying to stress in our testimony here is that there is a tremendous gap, Mr. Chairman, between what the cost of cleanup is and what resources are presently out there to comply with the environmental regulations on the books.

Where EPA can help, especially with regard to small communities is to do the types of research and to not just simply look at financial obligations or not just simply turn their head or the Federal Government turn their head and expect that States and localities are going to be able to come up with those financial solutions. Right now, those financial solutions are not there.

So there is a responsibility, I believe, on EPA to look at technology options and to look at other nonfinancial options available to help these small communities. To help educate them and to begin to make them feel more comfortable that they are meeting the environmental requirements and that the public that makes up the small communities feel that there is not a potential health risk to them simply because of where they happen to live and the size of the community they are in.

Senator **Burdick**. Senator Chafee.

Senator **Chafee**. Thank you, Mr. Chairman. I won't have my questions in order of your presentation.

You made the comment that private industry has drawn off a lot of talent from EPA, thus affecting, I think you said, the stability of EPA to administer the programs. Yes, that's true; although I don't know what we can do about it. Waste management can pay a far higher salary than the U.S. Government can to somebody at EPA. Unless you have some solution, or do you?

Mr. **Hembra**. I am not going to refer to it as a solution, Senator Chafee, but certainly an option available to any Federal agency is to look for ways to take advantage of the flexibility in the Federal Government right now with regard to how it pays its employees. But absent that, I think what is important and it is something that I don't believe in looking at environmental programs over the last several years I have seen is that the agency has recognized that it is not going to be able to keep people very long, and that it builds into its overall planning efforts that recognition and has strong recruitment programs in place, and looks for both monetary and nonmonetary reward mechanisms to retain those people or to give them a sense of having a reason to stay with the agency.

Not everyone is simply interested in a large pay increase. I think there are a lot of nonmonetary mechanisms out there that will bring about employee satisfaction.

Senator **Chafee**. You don't think EPA is doing that? In other words, this is a personnel management problem as you see it. That in your judgement, you think EPA could do more to keep these folks with them other than a monetary reward?

Mr. **Hembra**. I would say, yes. There are monetary mechanisms out there, and the agency should be taking advantage of that.

Senator **Chafee**. I am not trying to badger you, but what monetary approach could the EPA use?

Mr. **Hembra**. Monetary approach?

Senator **Chafee**. Yes.

Mr. **Hembra**. For example, there are agencies within the Federal Government that have gone from the general schedule pay systems to pay for performance systems. Those type of systems give the agency more flexibility and do not tie pay scales directly with supervisory and nonsupervisory roles.

There are pay for performance systems that build into them, one time bonuses based on performance. There are pay for performance systems that offer a broad pay range. Those things are happening right now in the Federal Government.

In fact, I can tell you that the U.S. General Accounting Office is one agency that has moved from the general schedule pay system over to pay for performance. That appears to be working very well. Of course, we have a stable work force. My sense about that agencies have to compare their systems with others?

Senator **Chafee**. Of course, this is, as you know, a problem that every branch of the Federal Government undergoes. In my previous incarnation as a Secretary of the Navy, we found that we were losing naval pilots all the time, particularly naval transport pilots to the airlines. We are losing our nuclear training officers to nuclear powerplants. Private industry can pay a lot more.

But the points you made—I am not familiar with how the bonus system works. At least in the Navy Department, we had to get special legislation to pay bonuses, reenlistment bonuses and so forth. I will look into that some more.

I think instead of going away in a gloomy mood here, on this particular score, I think we ought to appreciate that that talent is going out—it all contributes to the United States of America. It isn't a brain drain. If somebody goes from EPA into an environmental activity on the outside for handling wastes, for example, our country gains. These people are trained and skilled and presumably make a contribution out there that betters the environment, even though working for the private sector.

As I get what you are saying in your statement here, one, you point out that the operating budget in constant dollars for EPA hasn't grown while the duties have.

Mr. **Hembra**. That's absolutely true.

Senator **Chafee**. Secondly, you make the point that—I'll quote, "Currently, priorities reflect public perception of risk that are not necessarily well founded."

Mr. **Hembra**. That is correct.

Senator **Chafee**. As you know, EPA itself put out a report on risk. You are coming up with a report, as I understand it, on risk, as you say, soon.

Mr. **Hembra**. Yes, sir.

Senator **Chafee**. You're right. I mean the amount of money that we put in to clean up of oil spills is not commencement with the risks that exists from oil spills, risks to health or to the environment. But you say something else that I must say I couldn't quite understand. I am going to read± to you from your statement on page 6.

> We also believe that measuring changing in environmental conditions, rather than levels of agency activities would provide EPA with a more meaningful indicator of the effectiveness of its environmental protection efforts.

That is one of those paragraphs, when I read it, I wonder if I have missed something. I am sure I have. Could you help me?

> We believe that measuring changes in environmental conditions rather than levels of agency activities would provide EPA with a more meaningful indicator of the effectiveness of its environmental protection efforts.

Could you explain that, please?

Mr. **Hembra**. This obviously is not your problem. It is ours. I think I can explain it, though. It is an excellent observation and it is one that needs some attention. What we are saying, Senator

Chafee—and if you look back in August of 1988, we issued what we called a "General Management Review," where we looked across the agency at some systemic types of problems and issues. That was one of them.

What I am saying is basically this. Although EPA has been in existence about 20 years, right now today, it is not in a very good position to tell anyone what it has accomplished as an agency as far as specific environmental improvements. There are some areas where you have a sense of what those improvements are. When I refer to an environmental indicator, what I am basically talking about is information that would establish what is our baseline environmental condition in the United States?

As we provide the environmental protection agency with money, and it in turn regulates our environment, what have we achieved in the way of significant gains or status quo with regard to surface water contamination, groundwater contamination, stratospheric air issues, tropospheric air issues, chemical releases and what have you?

Right now, what the agency has done for some number of years, absent having those environmental indicators, is to measure its successes and its use of those resources in terms of activities. For example, how many permits did we issue? How many inspections of facilities did we do? Not what did those permits and what did those inspections result in in the way of environmental improvements?

Senator CHAFEE. Let's take the Clean Water Act.

Mr. HEMBRA. Yes.

Senator CHAFEE. You say we believe that measuring changes in environmental conditions, i.e., are our waters cleaner than they were ten years ago?

Mr. HEMBRA. Yes.

Senator CHAFEE. Rather than the level of Agency activities, how many permits did we issue last year that would provide EPA with a more meaningful indicator of the effectiveness of its environmental protection efforts. Well, you have explained that. I think what you say makes sense.

In other words, see how well you have done rather than the activity and how many permits you have issued and how many inspections you have made. Are you saying that they don't do that?

Mr. HEMBRA. I am saying that what has happened over the years is they have found it difficult to develop these environmental indicators. The course of least resistance has been to go with activity-based measures.

If you remember, when Administrator Reilly was sitting here at the table, one of the things that he has endorsed and you see some money in the budget for is what he referred to is a Bureau of Environmental Statistics.

Now setting aside some of the political concerns with creating such a bureau, be it independent or be it part of the agency itself, is a recognition on the part of the agency that over the course of years, trying to come up with a good set of environmental indicators has had to compete for resources against mandated programs that were in place. As a result, those efforts have been piecemeal and done in fits and starts.

As an Agency, they have yet to be able to come up with a good comprehensive set of environmental indicators. There is recognition within the agency of the need to do that.

The question is whether or not absent centralizing and giving it the proper attention and resources, whether there will ever be a point in time where we have that good comprehensive set of environmental indicators.

Senator CHAFEE. I think it is valuable for you to come up here to testify before us. Presumably you will testify before us, then we tell the agency to do so and so. At the same time, what is your liaison or your contact with the agency itself? In other words, it seems to me everything you are telling us would be far better if told directly to the agency. Do you do that?

Mr. HEMBRA. Let me go back and pick up on a point you raised in your opening statement, Senator Chafee, because I think it is important and I certainly do not want to leave a wrong impression up here. We share with you a very high regard and respect for Administrator Reilly and his senior management team.

In the history of GAO's work on environmental protection issues, I probably cannot cite a time, other than right now, that we have had a closer working relationship with the top officials in EPA than we do today.

The Comptroller General and myself meet periodically with the Administrator. I meet probably every couple of months with the deputy administrator. I have met with every one of the assistant administrators. We have these dialogues.

So that information is not just being shared on the Hill. The specific reviews we undertake, the types of issues that I have raised here, have been raised with the senior management team at EPA. There has, in fact, been some movement on the part of the agency.

What I am trying to do through this exercise is to alert the committee that there are—if we move away from specific problems or specific programs, there are certain basic barriers, both from a policy standpoint and a program standpoint that this Agency has to deal with.

They can do some things. In some cases, they are going to need congressional assistance to make it happen. That was the purpose and the focus of the testimony that I presented before this committee.

Senator CHAFEE. Thank you very much. Thank you, Mr. Chairman.

Senator BURDICK. Thank you. Members will be submitting additional questions and statements for the record, which will remain open for the next 10 days.

Senator BURDICK. With that, the meeting will be adjourned.

[Whereupon, at 12:28 p.m, the committee adjourned, to reconvene at the call of the Chair.]

[Statements submitted for the record, responses to additional questions, and statements from agencies not appearing at the hearings follow:]

PREPARED STATEMENT OF WILLIAM K. REILLY

Mr. Chairman and members of the Committee: I want to thank the members of the committee for the opportunity to present the President's 1992 Budget Request for the Environmental Protection Agency (EPA). The President's Budget Request affirms the President's commitment to building a safe and healthy environment.

Let me first set the context for your consideration of this budget. You are familiar with the state of the U.S. economy, and with the very serious deficit cloud that hangs over Federal policy makers. You know also that the budget agreement reached between Congress and the Administration last fall sharply restricts the growth of Federal spending, and limits increases in domestic outlays. As a result, all of us in government have a new and precise understanding of the concept of a "zero sum game." The Federal budget is small and cannot grow. If EPA's piece is to grow it must do so at the expense of some other domestic agency.

In EPA's 20-year life, the Agency has been directed by Congress to fulfill large and ever-growing expectations. In my two years as Administrator, the Congress has enacted no fewer than 25 new laws for which we bear some responsibility, from Clean Air to Pollution Prevention, to oil spills, to Environmental Education. The Bush Administration has provided strong support to EPA in carrying out these responsibilities. Since President Bush took office, EPA's operating programs will have increased by 41 percent and its workforce will have been expanded by 20 percent.

The Agency has pursued a progressive environmental program and an aggressive approach to enforcement actions.

After ten years of stalemate on Clean Air, the Bush administration went on the offensive, conceived, advocated, and worked with you to achieve a sweeping, comprehensive new Clean Air Act with emissions trading and alternative fuels and ambitious new standards and requirements. It is now law, and we at EPA give the highest priority to realizing its promise. Combined with the increases provided in 1991, EPA will have available a total of approximately $200 million and 600 workyears above 1990 levels to implement the Clean Air Act.

In 1989, we set new records in the vigor and aggressiveness with which we enforced the Nation's environmental laws. Last year, we broke our own records from the year before, collecting a three-fold increase in responsible parties' contributions to clean up hazardous waste—$1.3 billion. We also sent more criminal and civil referrals to the Justice Department than any previous Administration in a similar time-frame. Our motto is "polluter pays."

The Agency has required substantial new investments to protect the visibility of the Grand Canyon using the authority of the Clean Air Act.

EPA has accelerated the pace of cleanups of hazardous waste sites and encouraged the use of new technologies, such as bio-remediation. Six out of ten of last year's Superfund cleanup remedies called for an innovative technology.

The Agency has banned asbestos and have asked for authority to cut in half the time it takes to cancel a pesticide that poses a threat to health.

We have asked the Science Advisory Board to classify and set priorities for the principle threats to health and ecology and are considering ways to adapt the Agency's budget and resources to correspond to the best scientific judgment of where the largest risks lie.

EPA has calculated the costs of pollution control and projected these costs forward through the end of the century, both public sector and private sector costs. We have noted that the problems slated to receive the largest investments do not necessarily correspond to the problems that appear to pose the greatest threats to health and the environment. I have encouraged a debate in the Congress and in the country on the policy implications of the apparent incongruity between public perceptions and the judgment of many professionals. In no way, however, will I diminish the rigor with which EPA implements the mandates given to us by Congress. My intent is to stimulate a broad discussion.

We recognize that some of the greatest burdens of environmental management will fall upon the States and we have therefore proposed a 56 percent increase in grants to the States during this Administration. This budget also includes strong support to capitalize State Revolving Funds for water quality.

The Agency given a new high priority to international cooperation, first with Canada (where we will soon consummate an accord on acid rain), second with Mexico (where we have posted the Nation's first environmental attache), and where we are together strengthening environmental protection in Mexico City and a long the border in preparation for a free trade agreement.

We are also cooperating with other nations to phase out ozone-destroying CFCs, to conclude a framework convention on climate change, to finance and staff the new Regional Environmental Center for Central and Eastern Europe and to help Cracow, Poland, purify its drinking water and control its air pollution. We also have entered into a new agreement to help Brazil gear up to address its environmental problems.

EPA plays a key role today in fields not previously familiar. We worked on the President's proposal to plant a billion trees a year. We are training new Peace Corps Volunteers in pesticides management, groundwater protection, and forestry. We are intimately involved in the President's Enterprise for the Americas Initiative with its innovative debt-for-nature proposal to increase the funds available for conservation in Latin America.

I am very pleased to note that if our 1992 Budget request is approved, the Agency's budget for Operating Programs and Trust Funds will have increased by $1 billion, and our workforce will have grown by more than 3,100 workyears since the Bush Administration took office.

The President's commitment to improved environmental protection is unwavering. The Agency's Operating Programs and Trust Funds are together proposed to increase in fiscal year 1992 by 8 percent, double the rate of increase available for total domestic discretionary spending.

OVERVIEW

Let me now turn to some specifics of the Agency's budget for fiscal year 1992. The Agency's total budget request is $6.2 billion and 17,622 workyears. EPA's budget includes three main categories: 1) Operating Programs, 2) Trust Funds, and 3) funds transferred directly to the States through the Construction Grants program.

The budget request for our Operating Programs is $2.5 billion, an increase of $164 million or 7 percent over the fiscal year 1991 appropriated level. We are also requesting 13.929 workyears, an increase of *705 workyears or 5 percent over the fiscal year 1991 appropriated level.*

Our request for the Trust Fund programs (Superfund and Leaking Underground Storage Tanks) is $1.84 billion, an increase of $154 million or 9 percent over the appropriated level. Our Trust Funds request also includes 3,693 workyears, an increase of 135 workyears over the fiscal year 1991 appropriated level.

The President's budget for Superfund provides $1.75 billion, an increase of $134 million, or 8 percent over the fiscal year 1991 appropriated level of last fall. This request recognizes the continuing progress under Superfund. More final cleanup actions are underway; we have invigorated enforcement through our "enforcement-first" strategy. I am following the blueprint off the Superfund Management Review, which I announced at my confirmation hearing before you, Mr. Chairman and unveiled in June 1989. These actions are shifting the burden from the Federal Government to the potentially responsible parties. And last year, for the second year in a row, we secured more than $1 billion in private party contributions, up threefold from 1988. Our track record on Superfund management will continue as an Agency priority. We are also enhancing our efforts to oversee the cleanup of wastes at Federal facility sites, where we will soon have interagency cleanup agreements for all sites on Superfund's National Priority List.

The Leaking Underground Storage Tank: request is for $85 million, an increase of $20 million or 31 percent over the fiscal year 1991 enacted level. This budget will further expand our efforts in support of State capacity building to address Leaking Underground Storage Tanks releases and enforcement actions.

The President's budget provides $1.9 billion for the Construction Grants program, consistent with authorized funding levels. This includes $1.5 billion for the State Revolving Funds (SRF), which will continue the Administration's strong support for the capitalization of State programs. Another $300 million is provided for targeted grant assistance to address secondary wastewater treatment needs of Boston Harbor, San Diego, Seattle, New York, and Los Angeles. These investments will have a significant positive impact on coastal water quality. An additional $100 million is requested under a separate Water Quality Act authorized to build a treatment facility at the U.S.-Mexican border to treat raw Tijuana sewage flowing into the U.S.

The 1992 Budget provides resources and leadership needed to continue to make progress into the 21st century.

This budget will allow EPA to set the framework for environmental protection into the twenty-first century. Under the President's leadership, we will use the substantial increase in funding to foster new and innovative solutions to the many environmental challenges facing our country and the international community. We will continue our efforts to reshape and refine our agenda, particularly with respect to strengthening the role of science, and to preventing pollution before it becomes a problem. We will elevate the protection and restoration of natural systems, as recommended by the Science Advisory Board. We will continue to develop and apply a broad array of tools and strategies, including market-based incentives (such as we built into the Clean Air Act), voluntary agreements (which we are seeking from major emitters of toxics) and multi-media enforcement. We will continue to pursue new technologies like biotechnology and bioremediation, which we used so effectively in Prince William Sound in Alaska. We will continue to remain sensitive, in all we do, to the need for cost-effectiveness and efficiency, the need for which is made clear by our own report *The Costs of a Clean Environment.*

We recognize that the challenges we face today—which range from pollution in the household and pesticide residues in food, to growing threats to the planet's atmosphere and natural systems—require integrated solutions that focus resources on the most serious problems, and make full use of all the means available to us, including many that go beyond our traditional command and control regulatory methods.

The 1992 Budget focuses on strategic initiatives and areas of high risk.

The foundation for the new directions in the Agency's fiscal year 1992 budget is found in the report *Reducing Risk,* which I have already mentioned.

The recommendations in *Reducing Risk* call for: 1) greater attention to risk reduction and pollution prevention, 2) stronger emphasis on the protection of natural systems, 3) improved scientific data and analyses, 4) increased environmental education, 5) improved analysis of the economic consequences of environmental policies, and 6) closer cooperation between EPA and the many other Federal agencies, State and local governments, and private sector institutions on behalf of environmental protection.

Our fiscal year 1992 budget moves us a long way in the direction spelled out in the science Advisory Board's recommendations. Our decisions have been guided by risk reduction principles to focus our resources and programs on the greatest environmental risks. Pollution prevention remains the first priority of EPA, and it is being incorporated as a fundamental building block in all of the Agency's programs. This budget also advocates significantly expanded application of recycling and pollution prevention practices at the State and local levels. Multi-media strategies are being developed for the Agency's enforcement efforts. In fact, I have directed our enforcement staff to ensure that at least a quarter of the actions they bring cite more than a single statute, and that remedies and settlements emphasize protection and cleanup of the environment, not just correction of the statutory offense.

We are proposing to bolster ecosystem-wide programs such as our initiative to restore the Great Lakes and the Chesapeake Bay. We are augmenting traditional command-and-control approaches by voluntary compliance strategies. Agency decision making is being improved through stronger science, better quantitative assessments of risks, and more rigorous calculations of costs and cost-effectiveness. We are cooperating closely with members of the regulated community to leap beyond incremental pollution redirection to make major gains.

The Agency's fiscal year 1992 budget will enable us to work closely with our environmental partners here and overseas. The Agency is working to integrate the Country's economic goals with our environmental needs and to ensure that individuals throughout our society have the knowledge to make wise choices. We are working with State and local governments, as well as Indian tribes, which we are treating as States, to bolster their ability to implement effective programs.

The Agency is also expanding its work with international partners. Our success last year in renegotiating the Montreal Protocol to phase out CFCs by the year 2000, and in opening the Central and Eastern European Regional Center in Budapest has engaged EPA in two of the most critical environmental dramas of our time: the urgent need to protest the ozone layer, and clean up after the environmental catastrophe by Communist governments in Eastern Europe.

To be effective, our strategy must translate into specific actions in fiscal year 1992. The Agency's budget will focus resources on: 1) implementation of the now Clean Air Act—the most sweeping and important piece of environmental legislation in the last decade, 2) food safety through safer pesticides and improved pesticides registration, 3) protection of productive natural systems through multi-media actions targeting specific geographic areas, through greater attention to the country's critical coastal ecosystems, and through more research and analysis of global climate change, 4) reducing exposure to lead in the environment, 5) accelerated clean up of hazardous waste sites through better targeting of resources, 6) environmental education to foster environmental literacy throughout our society and a heightened sense of individual responsibility and stewardship, and 7) improved science, data, and economic analyses to ensure the integrity of Agency decisions.

The Agency's risk reduction strategies will be implemented via our 1992 initiatives.

Let me now highlight some of the specific initiatives stemming from our emphasis on strategic planning and riskbased decision-making in our fiscal year 1992 Operating Programs.

CLEAN AIR ACT

I am proud of our collaborative achievement in getting a new Clean Air Act in 1990. As President Bush stated: "This legislation isn't just the centerpiece of our environmental agenda. It is simply the most significant air pollution legislation in our Nation's history, and it restores America's place as the global leader in environmental protection."

Successful implementation of the new Clean Air Act is a priority of the President and the Agency; in fiscal year 1992, more than 70 percent of the increase in the Operating Programs will be devoted to the Clean Air Act. These resources will enable EPA to begin fulfilling the Administration's commitment to provide cleaner air for every American. Though the task is formidable, the benefits are enormous: healthier air for all of us to breathe, reduced respiratory illnesses and cancer; cleaner factories, fuels, and cars; improved visibility; better energy utilization and less dependence on foreign' oil; restoring and preserving our productive natural systems by vast reductions in acid rain precursors and in the compounds that cause ozone.

We are bringing on approximately 600 new full-time personnel during the first two years to help us implement the Clean Air Act. Our new hires, a couple hundred of whom are already on board, are highly motivated, well- educated, and diverse.

ECOLOGICAL PROTECTION

Protecting the Nation's productive natural systems is a high and growing priority for EPA. Protection of these systems is essential to the health of the Nation's economy, to the quality of life in America, and to our position of environmental leadership in the international community.

Because of the President's commitment to these important ecological needs, our fiscal year 1992 budget emphasizes valuable wetlands, estuaries, and coastal systems; the most important regional ecosystems, like the Great Lakes and Chesapeake Bay, which showcase the Agency's new risk-based, multi-media approach to environmental protection; major problems such as non-point source pollution; and the global ecosystem with special emphasis on global climate change. Our primary objective is to help stabilize and protect earth's life-support systems. To this end, we are proposing to expand the Ecological Monitoring and Assessment Program to the Great Lakes and the Gulf of Mexico. This research program is designed to identify and assess our Nation's ecological resources.

The President's budget provides significant resources for coastal initiatives. I am happy to announce that this budget will enable EPA to make a major contribution to the Administration's Coastal Living (America) Resources Initiative. This initiative is an example of the new agenda being pursued in the fiscal year 1992 budget. Through this initiative, EPA, along with the U.S. Fish and Wildlife Service, Corps of Engineers, and NOAA, will work to integrate environmental actions in public policy by developing a comprehensive plan for the protection, maintenance, and restoration of our nation's coastal resources.

A second initiative with significant implications for the coastal regions is the implementation of the newly enacted Oil Pollution Act of 1990. The Agency will increase its efforts to prevent and minimize environmental damage from oil spills in the Nation's navigable waters. This effort will be funded by taxes on both domestic oil production and imported oil and petroleum products.

Increases in the fiscal year 1992 budget for protection of the global ecosystem will strengthen the Agency's 6lobal Climate Change programs. EPA has done some of the seminal research, valued the world over, on the potential effects of climate change, and in possible policy responses to these scenarios. This budget will expand upon existing programs, including analysis of cost-effective domestic policy options and scientific research to help us better understand global climate change. These are especially important in terms of the long term high risk factors discussed in the *Reducing Risk* report.

LEAD

An increased Agency investment will focus on reducing exposure to lead. We are evaluating the long-term efficacy of abatement and in-place management, improving training, and sponsoring research to advance our understanding of human health impacts from lead contamination. We are emphasizing programs that reduce lead exposure to children, the most vulnerable segment of our Nation's population. The Agency is working with other Federal agencies, such as the Housing and Urban Development (HUD) and the Center for Disease Control (CDC), to reduce lead exposure.

ENVIRONMENTAL EDUCATION

The President's budget provides increased resources for our recently established Environmental Education Office. This office will cooperate with many others in government and the private sector. The primary focus of this initiative will be to improve science literacy as the core for environmental education for elementary and secondary schools. I hear frequently from teachers that when children are introduced to environmental implications of the sciences—when they are asked to measure the acid in rain or the fecal coliform in a river—they often develop new enthusiasm for science. I want EPA's new office to foster this connection.

The Agency's program aims to raise the level of environmental literacy and to equip students to serve the environmental cause. Although the resources for this area rise significantly in percentage terms, this effort is a good example of a relatively small investment that we expect will provide future payoffs in terms of environmental protection.

FOOD SAFETY

The President's budget includes increases to ensure the Nation's food supply is safer. Today, the United States' food supply is among the safest of any country in the world. Yet because of heightened public concern over food safety, increased Congressional interest, and the President's food safety initiative of 1989, the Agency has taken several steps to strengthen its food safety programs. These include: additional public outreach and communications regarding registration and tolerance decisions; accelerated review of applications for new and new-use pesticide registrations; and increased interagency research to determine how agricultural chemical practices contaminate ground and surface water, and to identify possible water quality and ecological mitigation methods. Last year, for example, a survey of wells nationwide revealed that 10 percent of the Nation's community drinking water wells and 4 percent of the rural domestic drinking water wells have detectable residues of at least one pesticide. We are using this information to evaluate regulatory and State-specific approaches to protect drinking water from pesticide pollution. Taken together, these programs will continue to establish the U.S. government as a world leader in food safety and human health issues and will also look after our groundwater.

IMPROVED DECISION-MAKING THROUGH BETTER SCIENCE AND BETTER ECONOMICS

To provide more lasting and effective solutions to today's complex environmental problems requires a broader base of knowledge and more sophisticated analyses. Better knowledge and analyses can help decision makers anticipate problems, set priorities, and target resources to environmental problems of highest risk. Using a stronger foundation in public policy decisions also requires integrated data systems.

The President's budget will strengthen EPA's research program to ensure that Agency decisions are based on scientifically sound data and analysis. Major increased areas for research include: global climate change, Clean Air Act research, indoor air, electromagnetic radiation, bio-remediation of wastes, assessment of exposures to various pollutants, and neurotoxic and reproductive effects from pollutants. These increases will also ensure that information and analyses in our labs are scientifically sound. The budget will also increase EPA's contribution to Presidential initiatives to strengthen the Nation's scientific and analytical capabilities through improved math and science education and high performance computing.

The President's budget provides increased resources to strengthen the Agency's analytic and economic capabilities. For example, we will be expanding our work on economic impact assessments of new Clean Air Act provisions because of the potentially large costs associated with the Act. In the area of global climate change, we will be undertaking new work aimed at integrating global climate change policies with economic growth objectives. This work will ensure we have the fullest possible understanding of economic impacts before proceeding on international climate change agreements. Finally, we will increase our efforts to design and analyze innovative economic incentives so we may provide guidance to EPA programs in carrying out the President's goal of increased use of flexible, market-based approaches in environmental management.

CONCLUSION

In conclusion, let me say that the EPA budget proposals for 1992 make absolutely clear President Bush's commitment to a better environment. As the President recently stated, "the 1990's must be the decade when we focus our attention on finding the most cost-effective, most efficient ways to promote pollution prevention, to reduce risks to human health and the environment, and to achieve environmentally sound, sustainable economic growth. It can be a new era of environmental stewardship, creating a safer, cleaner, more productive world for ourselves and our children."

This budget request provides the resources and leadership to continue to make progress through the 1990's and into the 21st century.

ENVIRONMENTAL
PROTECTION
AGENCY'S

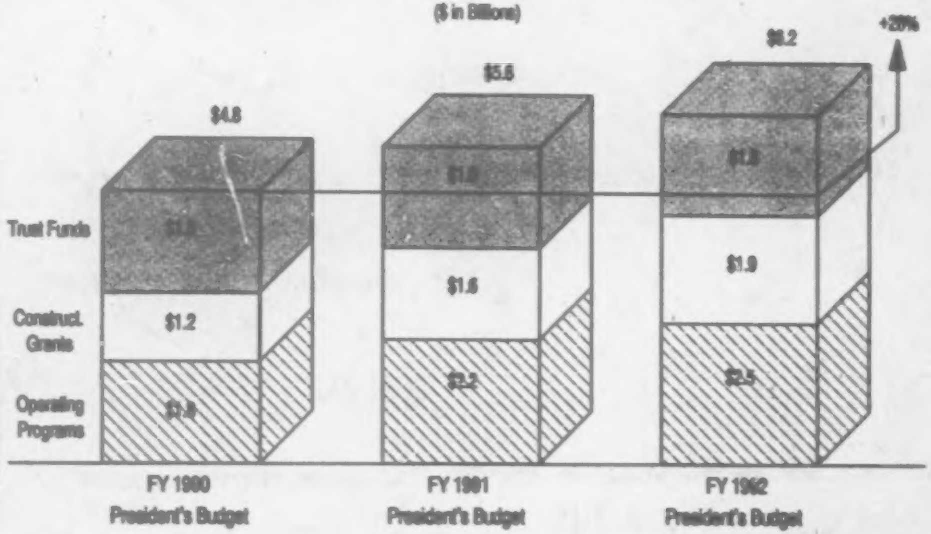
FY 1992 BUDGET

Printed on Recycled Paper

In a tight fiscal climate, the President is showing firm support for the environment

- Efforts to reduce the deficit must continue
- The 1990 Budget Reconciliation Act sets new spending restrictions
- Reconciliation established new competitive budget structure

The Budget continues the President's commitment to the environment



FY 1992 Budget

This Administration has a strong record of accomplishments

✓ Clean Air Act of 1990

✓ Record Enforcement levels

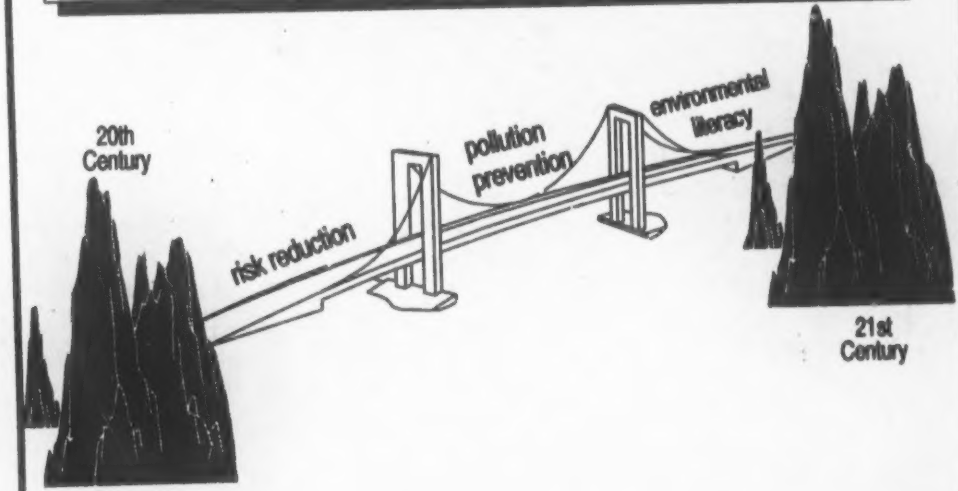
✓ Progress in innovative cleanup technologies

✓ Global Environmental Leadership

✓ Greater grant assistance to States and localities

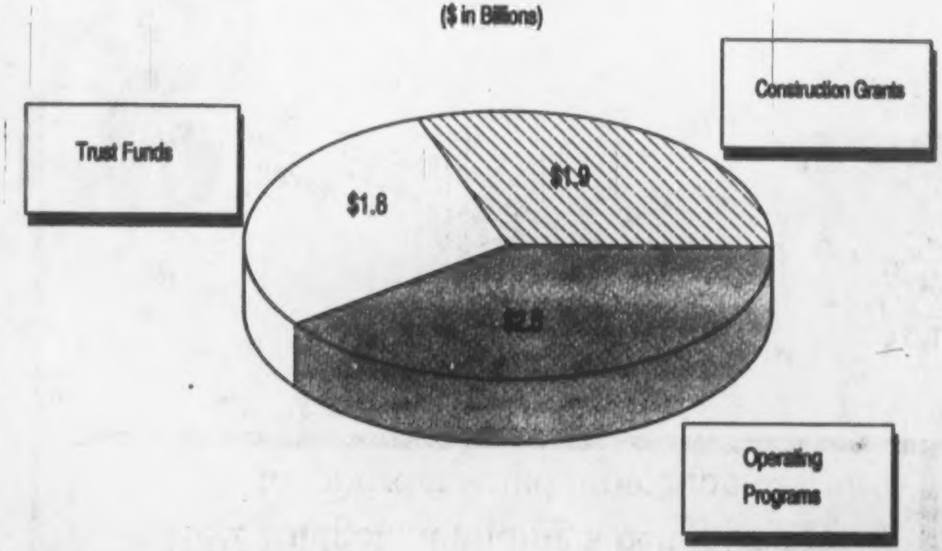
FY 1992 Budget

1992 Budget... building a better bridge to environmental protection



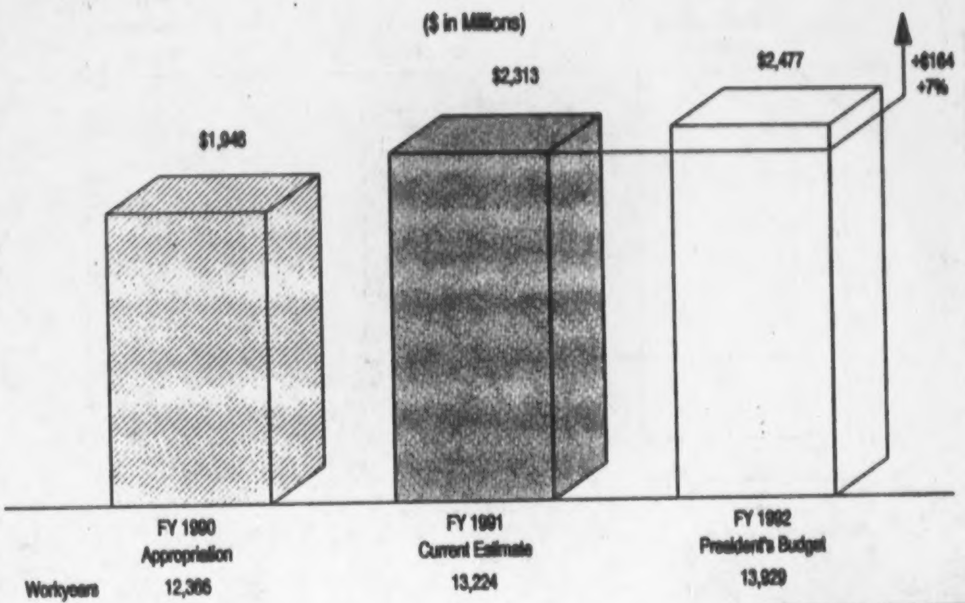
FY 1992 Budget

In the FY 1992 President's Budget, the Agency is requesting $6.2 billion



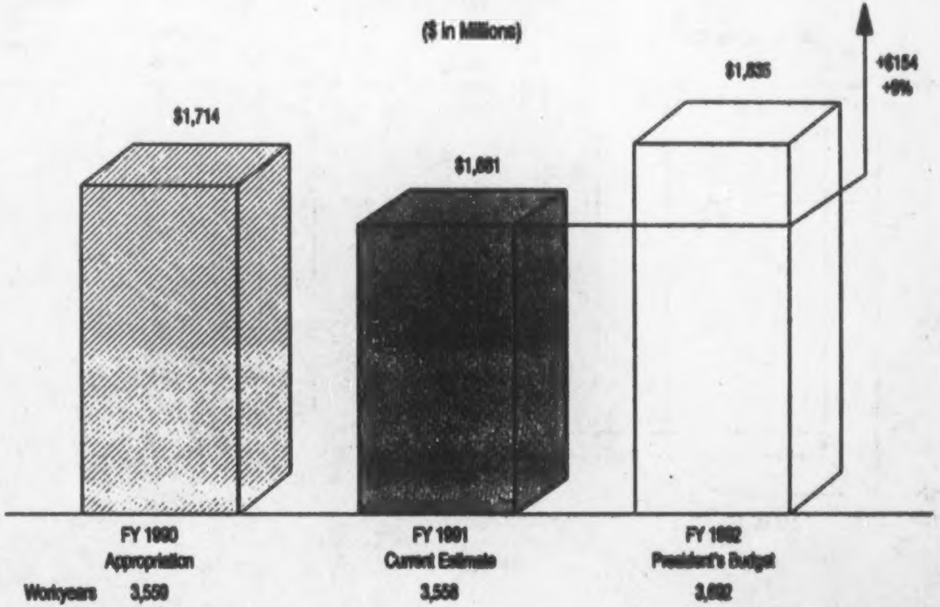
FY 1992 Budget

$164 million increase in key operating programs



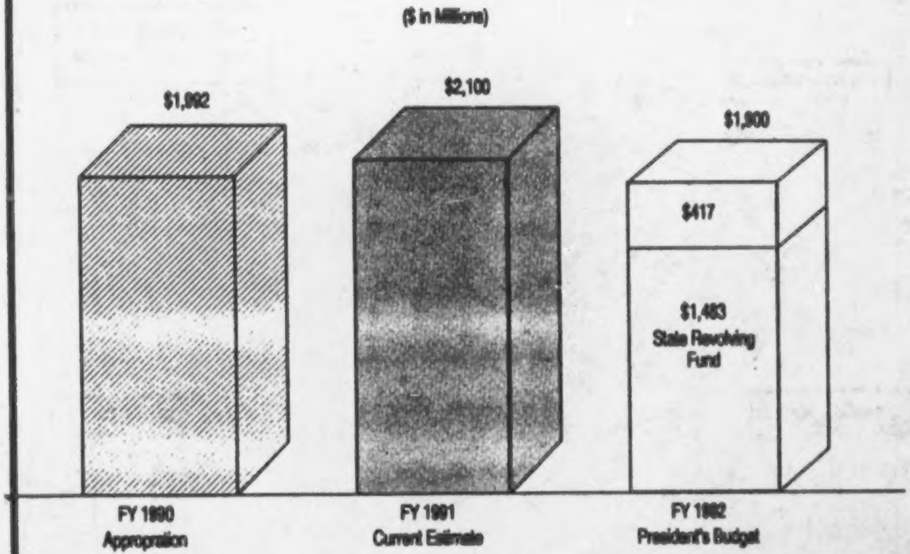
FY 1992 Budget

Trust Funds strengthen our commitment to site cleanups



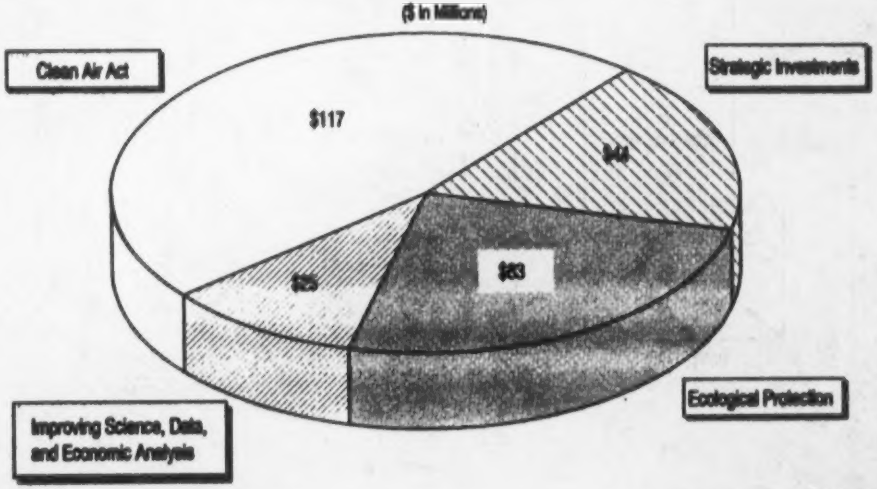
FY 1992 Budget

Construction Grants keeps pace with the CWA's authorization levels



FY 1992 Budget

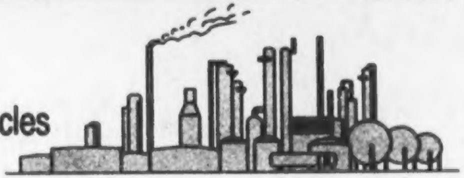
Agency's investments focus on strategic initiatives and high risk



FY 1992 Budget

CAA

The Clean Air Act is a priority for this Administration



- Healthier air
- Cleaner factories, fuels, and vehicles
- Protection of natural systems

- Market-based incentives
- Sound science & cost effective strategies
- More efficient energy use

FY 1992 Budget

Ecology

Natural Resources are protected through local, regional and global initiatives

- Contributes to Bush Administration's initiative on coastal protection
- Protects wetlands
- Promotes multimedia solutions to protect productive regional ecosystems
  - Great Lakes
  - Chesapeake Bay
- Expands efforts to understand global climate change

FY 1992 Budget

Strategic Investments

Selected investments will yield substantial environmental returns

- Reduces lead exposure
- Promotes food safety
- Continues vigorous enforcement
- Asserts international leadership
- Improves environmental literacy

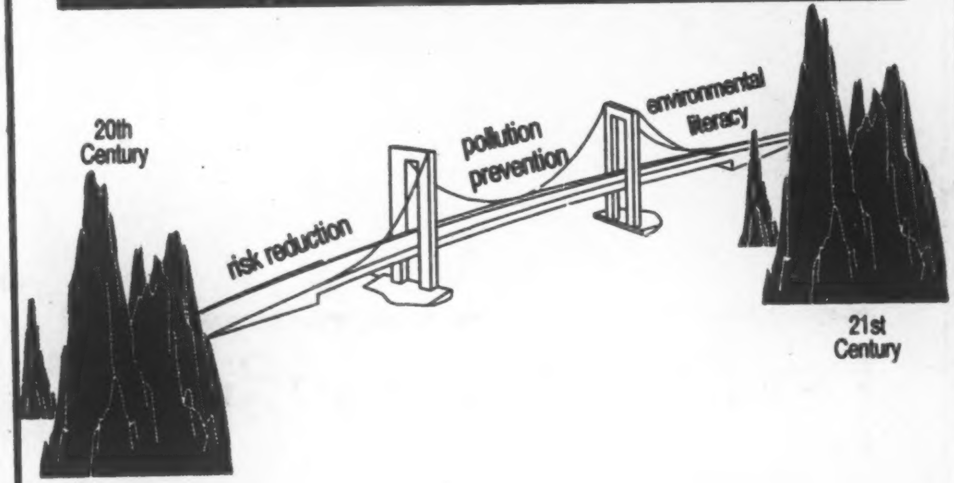
Science, Data and Economics

Agency investments improve decision-making

- Strengthens applied research
- Supports Presidential initiatives for math and science education
- Builds rigorous economic and scientific assessments

FY 1992 Budget

With this budget, EPA sets the pace for environmental protection into the 21st century

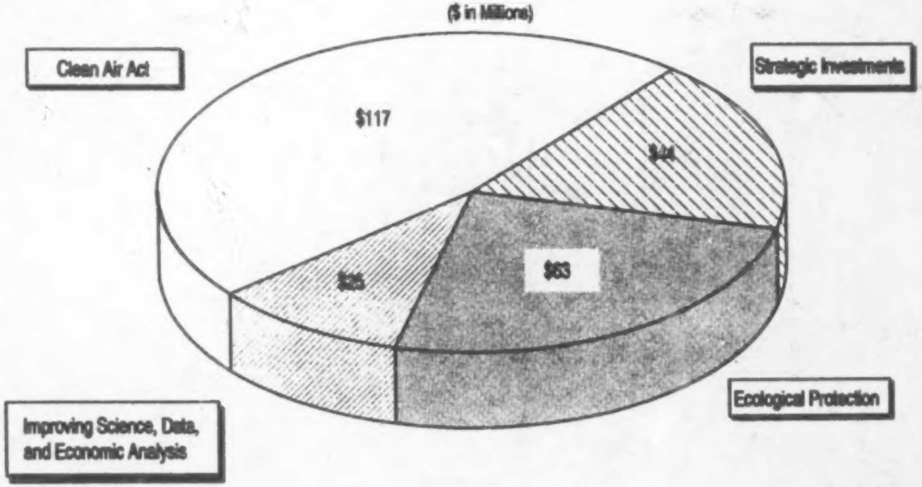


FY 1992 Budget

Program Highlights

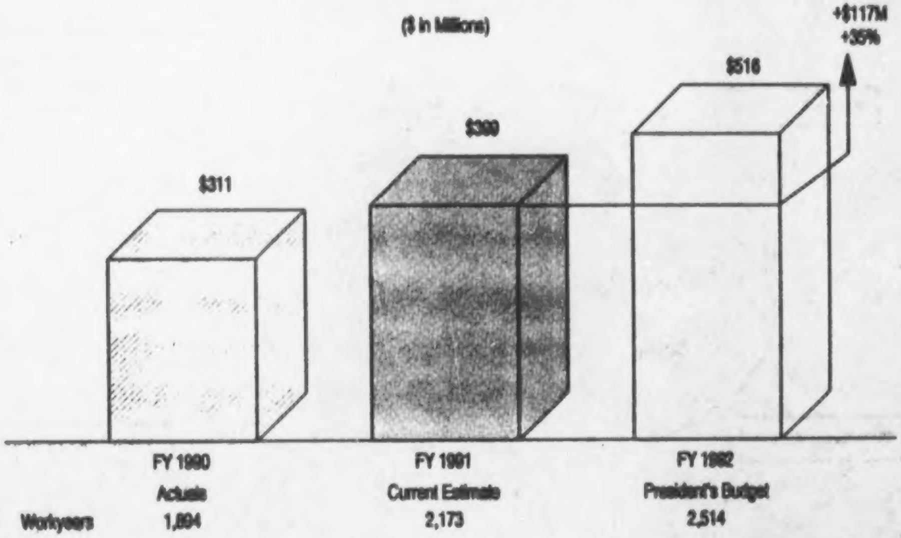
FY 1992 Budget

FY 1992 Budget Highlights



FY 1992 Budget

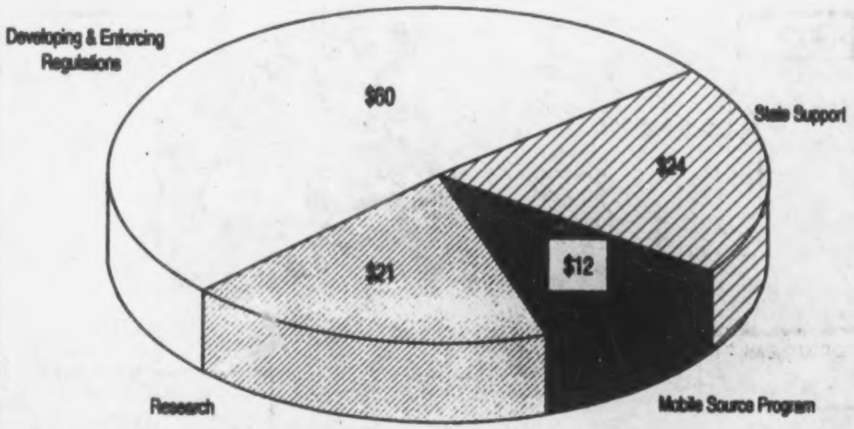
The Agency continues to invest significantly in the CAA during 1992



FY 1992 Budget

Increases for the Clean Air Act launch the program into the 90's

($ in Millions)

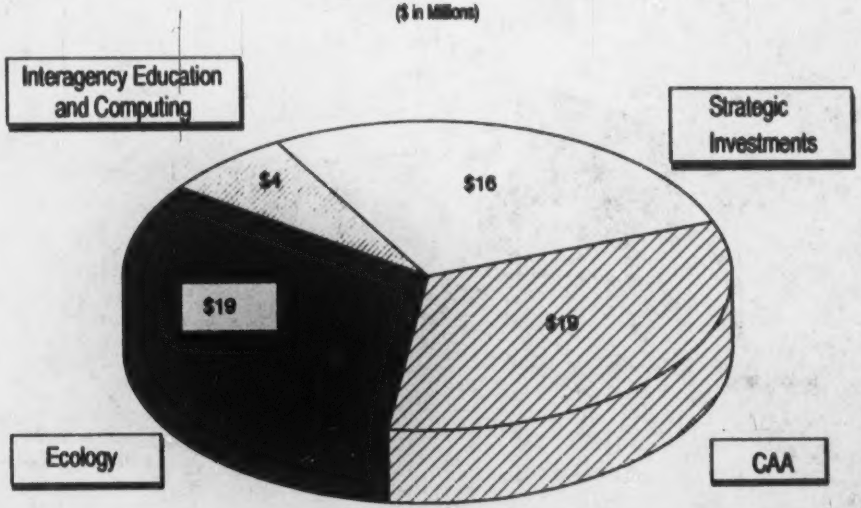


Total = $117 Million

FY 1992 Budget

Substantial investments in R&D build a stronger science base

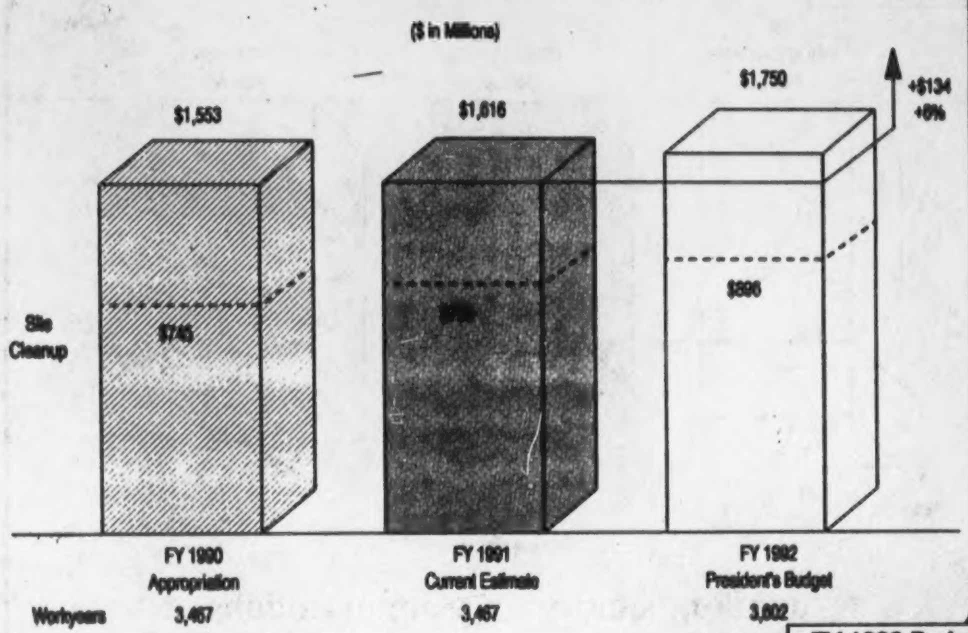
($ in Millions)



Total = $58 million

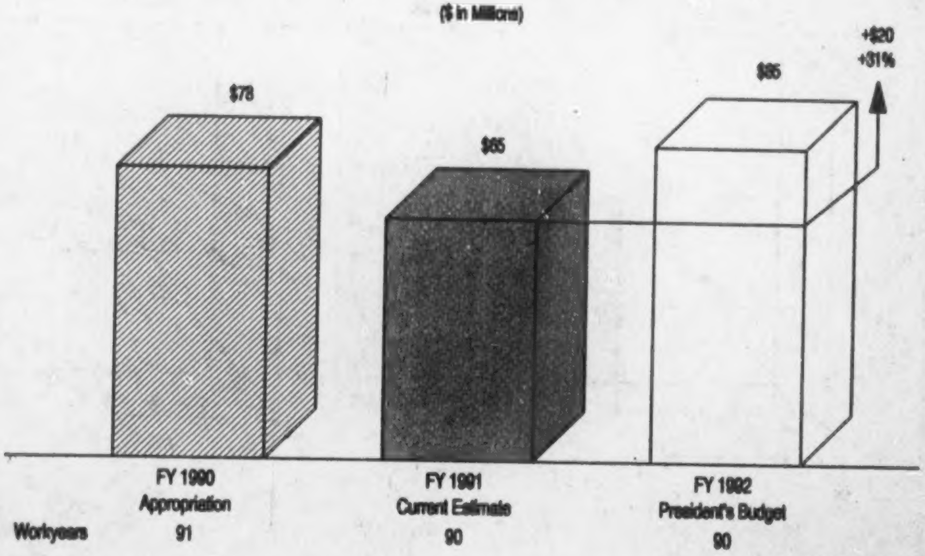
FY 1992 Budget

Superfund resources will strengthen site cleanups



FY 1992 Budget

LUST continues to provide strong support to the State Grants Program



Construction Grants request earmarks international and coastal initiatives

- Provides $1.5 billion to State Revolving Funds
- Furnishes $100 million for US/Mexican agreement on sewage flows from Tijuana
- Proposes $300 million to protect sensitive coastal ecologies
- Provides $17 million for water quality cooperative agreements

FY 1992 Budget

Other agency initiatives will improve the way we do business

- Better data integration
- Human resources
- Financial management and integrity

FY 1992 Budget

Post-Hearing Questions To EPA

Responses to Questions From Senator Burdick

MULTI-MEDIA GRANTS TO INDIAN TRIBES

Question. The budget includes a $3 million increase for multi-media grants to Indian tribes. What is the total amount for these grants, how will they be awarded, and is this amount in addition to grants available under other statutes administered by the Agency?

Answer. The fiscal year 1991 Appropriations Act authorized the Administrator of EPA to make grants to "federally recognized Indian tribes" on such terms and conditions as he deems appropriate for the development of multi-media environmental programs. The primary focus of these efforts is the development and demonstration of self-sufficient tribal environmental programs.

In fiscal year 1991, the Deputy Administrator requested the Regional Administrators to assess the tribal and State programs in their regions to determine the extent to which they can reprogram existing resources to fund multi-media efforts for tribes. In addition, the four Media Program Offices were asked to submit plans for fiscal year 1991 that specify the resources they intend to dedicate under this new authority, and to consider how best to manage the allocation of fiscal year 1992 funds. The total EPA fiscal year 1991 Abatement, Control and Compliance (AC&C) funds dedicated to Indian efforts equals approximately $10.5 million. Using the funds reprogrammed, the Regional Administrators will negotiate, award and oversee these development grants which will allow Indian tribes to manage their own environmental programs by providing a less cumbersome means for tribes to receive Federal assistance.

In fiscal year 1992, the Agency is requesting 3.0 workyears and $3.0 million of AC&C for the multi-media grants program to integrate media program and Regional office efforts to build the capacity of Indian tribes, and enable them to develop, implement and manage their own environmental protection programs for improving environmental quality on their lands. The multi-media grants will be used innovatively to tailor national environmental program elements to the needs and priorities of tribal lands. These efforts will include consolidated multi-media programs, especially for smaller reservations, and the creation of alternative regulatory and enforcement structures, such as tribal consortia and innovative tribal/state relationships.

EPA'S ROLE IN THE PERSIAN GULF CRISIS

Question. The environmental damage that has resulted from the war in the Middle East is becoming more apparent every day. What is EPA's role in providing technical assistance and other help to address the problems from the oil spill and oil field fires?

Answer. *Oil Spill Activities.*—At the request of the Saudi Arabian Government and through the National Response Team (NRT), EPA helped coordinate the development and deployment of the United States Interagency Assessment Team (USIAT). This team, lead by the United States Coast Guard and including representatives from EPA, NOAA, and the U.S. Army Corps of Engineers, was sent to provide expertise and technical assistance to the Saudi Arabian Government with regards to the oil spill. An OnScene-Coordinator (OSC) from Region 3, was the volunteer chosen as the EPA representative on USIAT. As USIAT conducted overflights of the oil spill and trained the Saudi Arabian Meteorological and Environmental Protection Agency (MEPA) on the various techniques of how to respond to and mitigate the effects of an oil spill, the National Incident Coordination Team (NICT) provided technical support and information to USIAT as it was needed.

Oil Well Fires.—A team of experts, at the request of the Department of State, has been sent to the Gulf region to assist in assessing the environmental impact and the potential health risks of the oil fires. EPA is coordinating this effort and working with the National Oceanic Atmospheric Administration (NOAA), the Centers for Disease Control (CDC), the Department of Energy (DOE), the Department of Defense (DOD), and the U.S. Coast Guard. The mission of the team will be to obtain a reliable assessment of the air quality situation, with primary emphasis on health effects. It is expected that the team will also begin setting out a framework for longer-term monitoring for environmental effects of the fires. The team will consult with U.S. military and embassy officials as well as Gulf government officials in the area regarding its findings.

SEE PROGRAM

Question. How much funding is provided for the Senior Environmental Employment (SEE) program and how many people are participating?

Answer. $25 million was obligated in fiscal year 1990, when work opportunities were provided for thirteen hundred older citizens.

ASBESTOS ABATEMENT PROJECTS IN FISCAL YEAR 1991

Question. EPA is presently evaluating loan and grant applications submitted by schools under the Asbestos School Hazard Abatement Act (ASHAA). How many applications has the Agency received for high priority asbestos abatement projects in schools for fiscal year 1991 funding?

Answer. For the fiscal year 1991 ASHAA award cycle, EPA has received applications from 404 Local Education Agencies. These applications contain approximately 1,275 Priority One and Priority Two projects competing for $46.3 million in loans and grants.

Question. What is the total level of funding requested for loans and grants for those projects?

Answer. The total applicant requested level of funding represents approximately $169.6 million. Eligibility for loan and grants are based on two criteria: financial need and the severity of the hazards associated with the projects. Based on these criteria, not all applicants will be eligible for assistance.

ASHAA—STATUS OF ADVISORY REQUIREMENTS

Question. Last November, the Asbestos School Hazard Abatement Reauthorization Act of 1990 was signed into law. That measure includes a requirement to provide an "advisory" to schools to promote a better understanding on in-place management techniques and circumstances requiring removal of asbestos. What actions has the Agency taken to comply with this requirement?

Answer. On March 6, 1991, Administrator Reilly signed an advisory to the public on asbestos in buildings. Section 13 of the Asbestos School Hazard Abatement Reauthorization Act (the Act) required the Administrator to publish and distribute information or an advisory to all local education agencies (LEAs) and State Governors to facilitate public understanding about asbestos and to promote appropriate asbestos response actions in buildings. The signed advisory is being mailed to all LEAs and State Governors as required by the Act. It is also being mailed to other affected groups and individuals. There are currently 45,000 on the mailing list.

ASBESTOS TRUST FUND IN FISCAL YEAR 1992 BUDGET

Question. The Asbestos Trust Fund is starting to accumulate a significant balance as loans are repaid. Why doesn't the fiscal year 1992 budget include a proposal to at least use the balance for new loans and grants in the absence of a request for the amount authorized by law?

Answer. The Agency has not requested funding for school asbestos abatement loans and grants, either via appropriated funds or via the Asbestos Trust Fund. The Agency believes decisions on the management of asbestos, including the funding of abatement programs, are most appropriately handled at the State or local level, and that Federal funding is not a necessary component of the asbestos abatement program since the regulations require local education agencies, not the Federal Government, to take appropriate abatement actions. EPA would further argue that the extent of the problem in the financially neediest schools has already been addressed, greatly reducing the need for a continued Federal role in asbestos abatement. From 1985 through 1991 the Agency has or will make grants and loans in excess of $290,000,000 to perform asbestos abatement projects. Through 1990 recipients of such funding totaled more than 1,000 school districts, which conducted more than 2,400 abatement projects in over 1,700 school buildings.

Responses to Questions From Senator Baucus

SEWAGE TREATMENT FUNDING

Question. The Clean Water Act calls for funding of the sewage treatment State revolving loan funds at a level of $1.8 billion in fiscal year 1992. This funding is essential to meeting water quality goals stated in the Act.

I was very disappointed to see that the President's budget would provide only $1.48 billion for the State loan funds, especially given that we appropriated over $2 billion last year.

I was even more disappointed to see that there is $400 million in the President's budget for grants, not loans, to selected communities. This Committee agreed with the President's request in 1986 to shift our general sewage assistance program from grants to loans, but now it seems the President wants to bring back grants.

In addition, the grants proposed are mostly for projects for which there is no authorization in the Clean Water Act. Why are all these new grants for coastal communities?

ANSWER. The Administration does not favor a return to the traditional construction grants program. In the fiscal year 1992 budget, $300 million in cost- shared grants are requested to expedite secondary treatment construction and complement the President's Coastal America Initiative.

QUESTION. The President is clearly not willing to fund sewage water project treatment at the authorized level in fiscal year 1992, but will he be willing to work with us in the Clean Water Act reauthorization to assure that we follow through on our $18 billion long-term commitment to addressing sewage problems?

ANSWER. The Administration has proposed to fund sewage treatment at the authorized level in fiscal year 1992. The request is split between State revolving funds and targeted grants to coastal cities with the Nation's greatest unmet secondary treatment needs and serious water quality problems. In fiscal year 1993 and fiscal year 1994 we expect to request the full authorized funding level for the State revolving funds.

QUESTION. Why has the Administration shifted back to a grant program just as the loan funds are getting up to speed?

ANSWER. The Administration has requested cost-shared grants for five selected cities on this single occasion in recognition of the fact that these cities have the highest secondary treatment needs and will require exceptionally long periods to complete secondary treatment facilities. The grants requested in fiscal year 1992 will accelerate completion of this work and produce greatly needed pollution control much sooner than would otherwise happen. Furthermore, these grants will complement related coastal efforts such as the President's Coastal America Initiative.

QUESTION. Would the Administration support legislation to return to a grant program with funds fairly allocated among communities based on need? If not, what is the basis for the grants proposal in the budget? And, why were loans not adequate to address the problems in the selected communities?

ANSWER. The Administration has not proposed and does not support returning to a grant program. These communities represent unique high priority coastal areas with projects under way which will fairly quickly result in significant improvements to coastal waters. The grants are intended as a one-time effort to supplement State revolving loan funds and accelerate completion of projects to achieve secondary treatment, which complements the objectives of the President's Coastal America Initiative. At the same time, these cities have far greater needs than are being funded and are fully responsible for meeting their permit requirements.

QUESTION. How were the communities to receive grants selected? Were any noncoastal communities considered?

ANSWER. These communities were selected because they have the largest secondary treatment needs along our coasts. Secondary treatment will result in significant improvement to the degraded coastal water around the communities and complement related coastal efforts such as the President's Coastal America Initiative. In addition, these communities were cited in a recent National Oceanic and Atmospheric Administration study as having higher levels of chemical contaminants in their bays and estuaries. The grants requested in fiscal year 1992 will expedite accomplishment of secondary sewage treatment for these cities, which have the largest unmet needs in the Nation, and which would otherwise face a longer lead time to completion of the necessary treatment facilities.

NONPOINT POLLUTION RESOURCES

QUESTION. How can the Agency justify drastic cutbacks in funding for [nonpoint source and Clean Lakes] programs your own studies identify as critical to protecting water quality?

ANSWER. A series of reports by the Science Advisory Board have documented that nonpoint source (NPS) pollution causes or contributes to a relatively large percentage of waterways still at risk because they are not meeting water quality standards or are otherwise impaired.

NPS problems have recently become more significant in part because EPA and the States have successfully focussed their attention and resources over the last 20 years on controlling point sources of water pollution. Our success in point source control must be maintained which requires a continuing and sustained investment in a wide variety of nondiscretionary and appropriate obligations.

Recognizing the significant risks posed by NPS pollution, the Administrator, for the first time requested section 319 NPS program grants to States in the President's fiscal year 1991 Budget. The Agency's fiscal year 1992 section 319 grants request (which is an increase over our fiscal year 1991 request by $10 million) must be viewed in the context of the fiscal year 1990 and 1991 appropriations already providing $89.5 million for section 319. Given the emerging nature of NPS programs in many States, the need to assure that NPS monies receive adequate EPA and State oversight, and the basic fact that NPS solutions are inevitably implemented at the local level, we believe our fiscal year 1992 request is prudent and will result in measurable progress in reducing NPS risks.

MUNICIPAL LANDFILL—SUBTITLE D

Question. The Agency's budget includes resources for implementing the "new Subtitle D landfill criteria." As you know, the Subtitle D landfill criteria were required by statute in 1986. Communities all over the country, including those in Montana, are anxiously waiting for the landfill rules before they make decisions about closing landfills, and opening fully protective new landfills.

My understanding is that 0MB has been reviewing the Agency's proposed rulemaking since last September, and is now threatening to kick back the proposal to EPA, arguing that it isn't cost effective to require good environmental practices at a municipal landfill.

I am also concerned because these landfill rules are one of the first major RCRA rules that EPA is trying to promulgate without a court order or without a statutory hammer. EPA wants flexibility in our environmental laws but, without either court deadlines or statutory hammers, will EPA be able to promulgate rules?

When will the municipal landfill rules be promulgated?

Answer. The Agency recognizes the importance of this rule to local governments and is currently working closely with 0MB to resolve remaining issues. EPA's goal is to develop a rule that is protective of human health and the environment, yet minimizes impacts to local governments, particularly small communities. The issuance of this rule has been and remains a high priority for the Agency.

Responses to Questions From Senator Mitchell

GRAND CANYON VISIBILITY OBJECTIVE

Question. In your testimony, you state that you have "required substantial new investments to protect the visibility of the Grand Canyon." However, the Environmental Protection Agency proposed only 70 percent controls, even though 90 percent controls would have provided significantly greater protection of this unique national treasure. Almost a million visitors go the Grand Canyon in winter, and they should not be faced with a view of pollution-caused haze. The incremental costs of controlling to 90 percent suggest that this option is both reasonable and necessary. Will EPA support the 90 percent control option that provides longer term preservation of our valued national heritage? Is the inadequate 50 percent option, rejected by EPA in its proposal, no longer a possibility?

Answer. The EPA concluded that considering the uncertainties in the quantification of the visibility impairment due to the Navajo Generating Station (NGS) and the social benefits that might result, the 70 percent control option should be proposed. However, EPA explicitly solicited comment on the 90 percent option and requested data which would support that option. We have neither accepted, nor rejected, any of the options identified in our proposal. Our final position will be determined only after full consideration of the comments received during the public comment period. We expect this to include the results of the $12 million tracer study conducted by the Salt River Project, operator of the NGS.

CWA VIOLATORS BY INDUSTRY

Question. Please provide to the Committee by March 22, 1991, a list of total violations of the Clean Air Act (CAA), the Clean Water Act (CWA), and the Resource Conservation and Recovery Act (RCRA) , according to industry, so that we may determine which industries are best complying with the various statutes. Please also indicate the percentage compliance by industry.

Answer. *Clean Water Act.*—The level of noncompliance (i.e., violations) with the Clean Water Act National Pollutant Discharge Elimination System (NPDES) permit program is measured in terms of "significant noncompliance" (SNC) for three key environmental indicators. This measure is based on the number of major facilities which have significant violations of effluent limits, missed key compliance schedule dates or nonsubmission of key reports, primarily discharge monitoring reports. For fiscal year 1990, our national database indicates that the quarterly SNC rates ranged from 8 percent to 14 percent for the Nation as a whole.

Attached is a list of industry categories (classified by Standard Industrial Codes) and the number of facilities in SNC for the fourth quarter fiscal year 1990. Of the total universe of 7,131 major facilities, 908 were in SNC in the 4th quarter of fiscal year 1990, 407 (44.6 percent) were for violations of effluent limits, 336 (36.8 percent) were for failures to submit discharge monitoring reports and 169 (18.5 percent) were for missing key compliance schedule dates.

Industry Violations of CWA NPDES Permit Program

Std. Ind. Class		
Code	Titles	# SNC
09	Fishing, hunting & trapping	1
10	Metal Mining	9
12	Coal Mining	2
14	Nonmetallic minerals except Fuels	1
20	Food and kindred products	28
22	Textile mill products	6
26	Paper and allied products	14
28	Chemical and allied products	122
29	Petroleum and coal products	25
30	Rubber and misc. plastics products	7
31	Leather and leather products	1
32	Stone, clay and glass products	3
33	Primary metal industries	50
34	Fabricated metal products	25
35	Industrial machinery and equipment	3
36	Electronic and other electric equipment	13
37	Transportation equipment	
38	Instruments and related products	1
40	Railroad transportation	2
44	Water transportation	1
45	Transportation by air	2
49	Electric gas and sanitary services	563
50	Wholesale trade durable goods	1
51	Wholesale trade nondurable goods	5
55	Real estate	1
30	Heath services	1
32	Educational services	1
37	Engineering and management services	4
95	Environmental quality and housing	1
97	National security and International affairs	9
9999	Non-classifiable establishments	1

CAA, CWA, RCRA VIOLATORS BY INDUSTRY

Question. Please provide to the Committee by March 22, 1991, a list of total violations of the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act, according to industry, so that we may determine which industries are best complying with the various statutes. Please also indicate the percentage compliance by each industry.

Answer. Attached is a listing of the compliance status by industrial category of federally reportable sources as they relate to the Clean Air Act.

Compliance Status of Federally Reportable Sources, by Major Source Industrial Category Airs Facility Subsystem Quick Look Milestone Report

Source industrial category number	Total	In violation and unknown	In compliance
1211—Bituminous coal and lignite mining	385	58	327
1311—Crude petroleum and natural gas	399	34	365
1422—Crushed and broken limestone	763	182	581
1422—Construction sand and gravel	256	57	199
2048—Prepared feeds and feed ingredients for animals and fowls, not elsewhere classified	364	113	251
2421—Sawmills and planning mills, general	465	81	384
2511—Wood household furniture, except upholstered	325	137	188
2819—Industrial inorganic chemicals, not elsewhere classified	300	79	220
2821—Plastics materials, synthetic resins, and nonvulcanizable elastomers	273	63	210
2911—Petroleum refining	509	151	0
2951—Paving mixtures and blocks	3,407	622	2,785
3079—Miscellaneous plastics products	297	87	210
3273—Ready-mixed concrete	722	160	562
3295—Minerals and earths, ground or otherwise treated	566	105	461
3312—Blast furnaces (including coke ovens), steel works, and rolling mills	355	239	116
3321—Gray iron foundries	404	89	315
3479—Coating, engraving, and allied services, not elsewhere classified	370	223	137
3404—Values and pipe fittings, except plumbers' brass goods	256	237	19
3499—Fabricated metal products, not elsewhere classified	256	198	58
4911—Electric services	1,157	344	813
4922—Natural gas transmission	568	159	409
4953—Refuse systems	277	69	207
5153—Grain	1,530	694	836
5171—Petroleum bulk stations and terminals	1,007	191	816
8062—General medical and surgical hospitals	313	139	174
8221—Colleges, universities, and professional schools	254	87	167
Other	17,483	4,675	12,808
Total	33,262	9,286	23,976

RCRA VIOLATIONS BY INDUSTRY

Question. Please provide to the Committee by March 22, 1991, a list of total violations of the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act, according to industry so that we may determine which industries are best complying with the various statutes. Please also indicate the percentage compliance by each industry.

Answer. Violations by industry can be compiled using Standard Industry Code (SIC) data in the Hazardous Waste Data Management System (HWDMS). HWDMS allows up to six industry codes to be entered for each facility. While in theory the first SIC is the primary industry code, the SIC code field has not been audited to verify this. In responding to this request, the Agency has classified each facility by its first SIC code only.

The reports provide compliance data from fiscal year 1985 through 4/4/91 in two formats. The report labelled F0177F lists only facilities Significant Non-Compliance (SNC). Prior to 1988, a SNC was defined as a Land Disposal Facility (LDF) with violations in one or more of the following areas: closure/post-closure, financial responsibility, or groundwater violations; or a Treatment Storage Facility (TSF) with a corrective action compliance schedule violation. After 1988 a SNC is defined as a High Priority Violation (HPV) in any violation area at any handler type, i.e. the universe is no longer limited to Treatment, Storage, and Disposal (TSD) facilities. A High Priority Violator is a handler who:

1) Has caused actual exposure or a substantial likelihood of exposure to hazardous waste or hazardous constituents; or

2) Is a chronic or recalcitrant violator; or

3) Deviates from terms of a permit, order, or decree by not meeting the requirements in a timely manner and/or by failing to perform work as required by terms of permits, orders, or decrees; or

4) Substantially deviates from RCRA statutory or regulatory requirements.

The report labelled F0177E is not limited to those facilities that are classified as SNCs, but shows the number of violations for all classes of handlers. It should be noted that neither report provides a precise count of violations. When a violation is found during an inspection, it is coded into the HWDMS database as an "X" in the appropriate area of violation (i.e. closure, groundwater monitoring, etc. . .). Only one "X" appears for any single area of violation found during that inspection; therefore it is not possible to know how many individual violations of that type may actually have been found during that inspection.

In addition, violations found during an inspection that do not fall into any of the primary violation areas are aggregated under the category "other" violations. Again, it is not possible to determine the total number of individual violations behind the classification of "other".

To provide some perspective on the number of handlers with violations in a particular industry, the F0177E report indicates the number of handlers that have been inspected in each industry category. In reviewing the data it should also be noted that a handler is not considered to have returned to compliance (RTC) until all violations have been brought back into compliance.

All data in the reports was retrieved from HWDMS with the exception of data for the State of Mississippi which was pulled from the new Resource Conservation and Recovery Information System (RCRIS). Because of this, the data for Mississippi is not included in the HWDMS reports, but is shown separately at the end of each report.

NOTE. Pre-1987 HWDMS data is of questionable reliability since this data has not been subjected to rigorous clean-up efforts. SIC Code data (regardless of the year) are especially vulnerable because it is the individual waste handler who must accurately determine and report the SIC codes appropriate to its activities.

Request Number F0177E—Data Source: HWDMS Version 6.5

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry.)

SIC code	No handlers	Handlers inspected		Handlers w/ violations	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent		No.	Percent
Blank	33752	33751	100	11780	7310	62	22741	14164	62
Other	63	26	41	14	5	36	72	48	67
Agricultural production—crops	14	2	14	—	—	—	—	—	—
Agricultural production—livestock	12	4	33	2	—	—	4	2	50
Agricultural services	553	52	9	15	7	47	62	20	32
Forestry	15	—	—	—	—	—	—	—	—
Fishing, hunting and trapping	9	2	22	1	—	—	2	1	50
Metal mining	59	12	20	6	6	100	15	15	100
Coal mining	59	5	21	—	—	—	—	—	—
Oil and gas extraction	147	51	35	27	15	56	98	59	60
Mining nonmetallic minerals, except fuel	39	24	62	6	2	33	20	15	75
Building construction	35	9	26	6	2	33	23	14	61
Heavy construction	35	9	26	6	2	33	23	14	61
Construction—special trade contractors	106	21	20	11	9	82	32	27	84
Food and kindred products	215	96	45	29	15	52	81	57	70
Tobacco products	9	6	67	1	—	—	5	4	80
Textile mill products	499	291	40	79	46	58	200	115	58
Apperel and other textile products	26	8	31	2	1	50	13	4	31

Request Number F0177E—Data Source: HWDMS Version 6.5—Continued

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary)), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry.)

SIC code	No handlers	Handlers inspected		Handlers w/ violations	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent		No.	Percent
Lumber and wood products	977	350	36	172	63	37	825	432	52
Furniture and fixtures	774	338	44	149	99	66	298	199	67
Paper and allied products	605	330	55	139	94	68	293	194	66
Printing and publishing	2174	378	17	107	74	69	193	139	72
Chemicals and allied products	4495	2615	58	1410	749	53	5279	3462	66
Petroleum and coal products	645	369	57	234	88	38	1089	650	60
Rubber and misc. plastics products	988	464	47	235	144	61	680	484	71
Leather and leather products	128	46	36	20	8	40	32	14	44
Stone, clay and glass products	427	240	56	97	66	68	304	207	68
Primary metal industries	1085	723	67	454	225	50	2056	1172	57
Fabricated metal products	3892	1778	46	901	457	51	2775	1630	59
Industrial machinery and equipment	2966	1100	37	520	306	59	1296	887	68
Electronic and other electric equipment	2630	1399	53	695	411	59	1884	1295	69
Transportation equipment	1241	698	56	395	190	48	1388	886	64
Instruments and related products	283	199	70	108	59	55	298	177	59
Misc. manufacturing industries	933	292	31	129	69	53	353	216	61
Railroad transportation	112	33	29	17	11	65	58	39	67
Local and interurban passenger transit	32	15	47	6	2	33	29	23	59
Trucking and warehousing	960	263	27	125	50	40	599	366	61
U.S. Postal Service	9	—	—	—	—	—	—	—	—
Water transportation	59	23	39	9	5	56	30	22	73
Transportation by air	103	41	40	30	13	43	121	85	70
Pipelines, except natural gas	59	19	32	1	1	100	2	2	100
Transportation services	34	17	50	8	4	50	19	9	47
Communications	41	20	49	—	—	—	—	—	—
Electric, gas and sanitary services	1925	638	33	306	144	47	1616	939	58
Wholesale trade—durable goods	722	285	39	160	81	51	627	386	62
Building materials and garden supplies	72	4	6	—	—	—	—	—	—
General merchandise stores	6	1	17	1	1	100	1	1	100
Food stores	1	—	—	—	—	—	—	—	—

Request Number F0177E—Data Source: HWDMS Version 6.5—Continued

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry.)

SIC code	No handlers	Handlers inspected		Handlers w/ violations	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent		No.	Percent
Automotive dealers and service stations	586	41	7	14	8	57	29	11	38
Apparel and acessory stores	1	—	—	—	—	—	—	—	—
Furniture and home furnishings stores	3	—	—	—	—	—	—	—	—
Eating and drinking places	4	1	25	—	—	—	—	—	—
Miscellaneous retail	46	9	20	1	—	—	1	—	—
Nondepository institutions	2	1	50	—	—	—	1	—	—
Insurance carriers	2	—	—	—	—	—	—	—	—
Insurance agents, brokers and service	1	1	100	—	—	—	—	—	—
Real estate	7	3	43	2	—	—	16	13	81
Holdings and other investment offices	17	6	35	3	2	67	16	2	13
Hotels and others lodging places	5	2	40	1	1	100	7	7	100
Personal services	383	52	14	3	1	33	18	12	67
Business services	688	215	31	118	58	49	466	313	67
Auto repair, services and parking	1245	97	8	27	18	67	33	21	64
Miscellaneous repair services	116	45	39	21	11	52	47	28	60
Motion pictures	4	1	25	1	1	100	1	1	100
Amusement and recreations services	22	2	9	1	1	100	1	1	100
Health services	909	82	9	33	15	45	87	41	47
Educational services	120	70	58	34	15	44	146	80	55
Social services	1	—	—	—	—	—	—	—	—
Museums, botanical, zoological gardens	1	1	100	1	—	—	4	3	75
Membership organizations	5	1	20	—	—	—	—	—	—
Engineering and management services	16	2	13	1	1	100	2	2	100
Private households	2	2	100	1	1	100	1	1	100
Services, NEC	61	35	57	23	11	48	76	32	42
Executive, legislation and general	23	14	61	8	3	38	65	41	63
Justice, public order and safety	39	3	8	1	—	—	1	—	—
Finance, taxation and monetary policy	1	1	100	1	—	—	1	—	—
Administration of human resources	5	—	—	—	—	—	—	—	—
Environmental quality and housing	25	12	48	8	6	75	35	25	71
Administration of economic programs	16	8	50	5	1	20	40	29	73

Request Number F0177E—Data Source: HWDMS Version 6.5—Continued

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry.)

SIC code	No handlers	Handlers inspected		Handlers w/ violations	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent		No.	Percent
National security and intl. affairs	202	188	93	162	38	23	1144	603	53
Nonclassifiable establishments	81	50	62	36	15	42	174	117	67
Total	69371	48325	70	19096	11138	58	48631	30313	62

Request Number F0177G—Data Source: RCRIS Oversight—Mississippi

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry.)

SIC code	No. handlers	Handlers inspected		Handlers w/ violations	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent		No.	Percent
Blank	91	91	100	47	35	74	136	88	65
Other	1	1	100	—	—	—	—	—	—
Forestry	1	—	—	—	—	—	—	—	—
Oil and gas extraction	1	—	—	—	—	—	—	—	—
Food and kindred products	1	—	—	—	—	—	—	—	—
Textile mill products	1	1	100	1	1	100	1	1	100
Apparel and other textile products	1	—	—	—	—	—	—	—	—
Lumber and wood products	36	18	50	12	6	50	127	58	46
Furniture and fixtures	11	4	36	2	2	100	4	4	100
Paper and allied products	8	—	—	—	—	—	—	—	—
Printing and publishing	1	1	100	—	—	—	—	—	—
Chemicals and allied products	39	16	41	10	8	80	51	48	94
Petroleum and coal products	8	3	38	2	—	—	1	—	—
Rubber and misc. plastics products	7	5	71	1	—	—	1	—	—
Stone, clay and glass products	7	1	14	1	—	—	4	2	50
Primary metal industries	3	1	33	—	—	—	—	—	—
Fabricated metal products	28	13	46	8	8	100	25	25	100
Industrial machinery and equipment	17	10	59	5	3	60	5	3	60
Electronic and other electric equipment	24	14	58	7	6	86	29	28	97
Transportation equipment	7	5	71	5	5	100	9	9	100
Instruments and related products	1	1	100	1	1	100	7	7	100

Request Number F0177G—Data Source: RCRIS Oversight—Mississippi—Continued

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry.)

SIC code	No. handlers	Handlers inspected		Handlers w/ violations	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent		No.	Percent
Misc. manufacturing industries	5	3	60	2	2	100	5	5	100
Trucking and warehousing	2	—	—	—	—	—	—	—	—
Pipelines, except natural gas	2	—	—	—	—	—	—	—	—
Transportation services	1	1	100	1	1	100	1	1	100
Electric, gas and sanitary services	14	8	57	3	3	100	3	3	100
Wholesale trade—durable goods	1	1	100	1	1	100	4	4	100
Wholesale trade—nondurable goods	3	1	33	1	1	100	2	2	100
Business services	2	2	100	1	1	100	5	5	100
Health services	2	—	—	—	—	—	—	—	—
Educational services	1	—	—	—	—	—	—	—	—
Environmental quality and housing	1	—	—	—	—	—	—	—	—
National security and intl. affairs	2	2	100	1	—	—	8	7	88
Nonclassifiable establishments	1	—	—	—	—	—	—	—	—
Total	331	203	61	112	84	75	434	305	70

Request Number F0177F—Data Source: HWDMS Version 6.5

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry. Significant noncompliers and high priority violators only.)

SIC code	No. SNC/HPV handlers	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent
Blank	698	160	23	2148	585	27
Other	3	—	—	21	14	67
Agricultural production—crops	—	—	—	—	—	—
Agricultural production—livestock	—	—	—	—	—	—
Agricultural services	4	1	25	31	5	16
Forestry	—	—	—	—	—	—
Fishing, hunting and trapping	—	—	—	—	—	—
Metal mining	—	—	—	—	—	—
Coal mining	—	—	—	—	—	—
Oil and gas extraction	8	6	75	18	10	56
Mining nonmetallic minerals, except fuel	2	2	100	8	8	100
Building construction—general	1	—	—	2	—	—
Heavy construction	1	—	—	1	—	—
Construction—special trade contractors	—	—	—	—	—	—
Food and kindred products	2	2	100	2	2	100
Tobacco products	—	—	—	—	—	—
Textile mill products	6	—	—	25	—	—
Apparel and other textile products	1	—	—	5	—	—
Lumber and wood products	75	31	41	378	206	54
Furniture and fixtures	5	2	40	23	12	52

Request Number F0177F—Data Source: HWDMS Version 6.5—Continued

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry. Significant noncompliers and high priority violators only.)

SIC code	No. SNC/HPV handlers	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent
Paper and allied products	9	7	78	30	9	30
Printing and publishing	6	1	17	22	3	14
Chemical and allied products	249	105	42	952	445	47
Petroleum and coal products	100	49	49	300	172	57
Rubber and misc. plastics products	16	8	50	52	24	46
Leather and leather products	2	1	50	2	1	50
Stone, clay and glass products	13	6	46	61	25	41
Primary metal industries	139	53	38	558	228	41
Fabricated metal products	127	47	37	529	225	43
Industrial machinery and equipment	56	34	61	146	98	67
Electronic and other electric equipment	86	48	56	235	156	66
Transportation equipment	55	22	40	190	90	47
Instruments and related products	14	5	36	58	23	40
Misc. manufacturing industries	23	11	48	88	48	55
Railroad transportation	4	3	75	11	10	91
Local and interurban passenger transit	2	—	—	11	6	55
Trucking and warehousing	22	9	41	138	95	69
U.S. Postal Service	—	—	—	—	—	—
Water transportation	3	1	33	6	3	50
Transportation by air	6	1	17	14	7	50
Pipelines, except natural gas	—	—	—	—	—	—
Transportation services	—	—	—	—	—	—
Communications	—	—	—	—	—	—
Electric, gas and sanitary services	102	45	44	437	200	46
Wholesale trade—durable goods	25	7	27	58	16	28
Wholesale trade—nondurable goods	22	7	32	59	25	42
Building materials and garden supplies	—	—	—	—	—	—
General merchandise stores	—	—	—	—	—	—
Food stores	—	—	—	—	—	—
Automotive dealers and service stations	1	—	—	13	2	15
Apparel and accessory stores	—	—	—	—	—	—
Furniture and home furnishings stores	—	—	—	—	—	—
Eating and drinking places	—	—	—	—	—	—
Miscellaneous retail	—	—	—	—	—	—
Nondepository institutions	—	—	—	—	—	—
Insurance carriers	—	—	—	—	—	—
Insurance agents, brokers and service	—	—	—	—	—	—
Real estate	2	1	50	11	10	91
Holding and other investment offices	1	—	—	12	—	—
Hotels and other lodging places	—	—	—	—	—	—
Personal services	—	—	—	—	—	—
Business services	17	7	41	51	34	67
Auto repair, services and parking	—	—	—	—	—	—
Miscellaneous repair services	1	—	—	1	—	—
Motion pictures	—	—	—	—	—	—
Amusement and recreation services	—	—	—	—	—	—
Health services	3	2	67	11	8	73
Educational services	6	—	—	21	6	29
Social services	—	—	—	—	—	—
Museums, botanical, zoological gardens	1	1	100	3	3	100
Membership organizations	—	—	—	—	—	—
Engineering and management services	—	—	—	—	—	—
Private households	—	—	—	—	—	—
Services, NEC	2	—	—	5	2	40
Executive, legislative and general	3	1	33	17	14	82
Justice, public order and safety	—	—	—	—	—	—
Finance, taxation and monetary policy	—	—	—	—	—	—

Request Number F0177F—Data Source: HWDMS Version 6.5—Continued

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry. Significant noncompliers and high priority violators only.)

SIC code	No. SNC/HPV handlers	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent
Administration of human resources	—	—	—	—	—	—
Environmental quality and housing	1	—	—	2	—	—
Administration of economic programs	2	2	100	11	11	100
National security and intl. affairs	54	16	30	233	105	45
Nonclassifiable establishments	9	4	44	31	18	58
Total	1990	708	36	7041	2964	42

Request Number F0177H—Data Source: RCRIS Oversight—Mississippi

(Handler included in report if it has one or more SIC code values or if it has been inspected. Number of handlers within each SIC code (first SIC code considered primary), handlers inspected since 10/1/84, handlers with-violations, handlers returning to compliance, number of violations, and violations returning to compliance. For a handler to be considered in compliance, all violations must have returned to compliance. Broken down by industry. Significant noncompliers and high priority violators only.)

SIC code	No. SNC/HPV handlers	Handlers returning to compliance		No. violations	Violations returning to compliance	
		No.	Percent		No.	Percent
Blank	21	14	67	43	27	63
Other	—	—	—	—	—	—
Forestry	—	—	—	—	—	—
Oil and gas extraction	—	—	—	—	—	—
Food and kindred products	—	—	—	—	—	—
Textile mill products	—	—	—	—	—	—
Apparel and other textile products	—	—	—	—	—	—
Lumber and wood products	10	7	70	53	33	62
Furniture and fixtures	1	1	100	1	1	100
Paper and allied products	—	—	—	—	—	—
Printing and publishing	—	—	—	—	—	—
Chemical and allied products	2	2	100	2	2	100
Petroleum and coal products	—	—	—	—	—	—
Rubber and misc. plastics products	1	—	—	—	—	—
Stone, clay and glass products	—	—	—	—	—	—
Primary metal industries	—	—	—	—	—	—
Fabricated metal products	2	2	100	5	5	100
Industrial machinery and equipment	2	1	50	2	1	50
Electronic and other electric equipment	2	2	100	12	12	100
Transportation equipment	1	1	100	1	1	100
Instruments and related products	—	—	—	—	—	—
Misc. manufacturing industries	2	2	100	3	3	100
Trucking and warehousing	—	—	—	—	—	—
Pipelines, except natural gas	—	—	—	—	—	—
Transportation services	—	—	—	—	—	—
Electric, gas and sanitary services	—	—	—	—	—	—
Wholesale trade—durable goods	—	—	—	—	—	—
Wholesale trade—nondurable goods	—	—	—	—	—	—
Business services	1	1	100	4	4	100
Health services	—	—	—	—	—	—
Educational services	—	—	—	—	—	—
Environmental quality and housing	—	—	—	—	—	—
National security and intl. affairs	—	—	—	—	—	—
Nonclassifiable establishments	—	—	—	—	—	—
Total	45	33	73	127	89	70

REGULATIONS SUBMITTED TO OMB

Question. Please provide the Committee, on a monthly basis, with a list of all regulations that have been submitted by EPA to OMB for review, the topic of the regulation, the date it was submitted to OMB and its current status.

Answer. A list of all regulations currently at OMB for review is attached. We can provide this information to the Committee each month but would like clarification as to whether or not the committee wants this list each month.

OMB Reviews

Regulation	Date sent to OMB
Section One: Rules Sent to OMB 3/11/91—3/27/91	
OSWER	
NPL for Uncontrolled Hazardous Waste Sites (proposal; no SAR)	3/11/91
Designation of Extremely Hazardous Substances as CERCLA Hazardous Substances (final; 2336)	3/25/91
Reportable Quantity Adjustments for 244 CERCLA Hazardous Substances (final; SAR 2429)	3/25/91
OPTS	
Policy Definitions (proposal; no SAR)	3/11/91
Reopening of Comment Period for Proposed Test Rules (proposal; no SAR)	3/11/91
Final Rule to Delete Three Copper Pigments from EPCRA 313 List of Toxic Substances (final; no SAR)	3/25/91
* * * [The above is new information.] * * *	
Section Two: Within E.O. Review Period	
OAR	
Operating Permits Rule (proposal; MAJOR; SAR 2893)	2/13/91
Section Three: Initial E.O. Review Period Exceeded	
OAR	
Organic Air Emissions for Hazardous Waste TSDF: Surface Impoundments and Containers (proposal; MAJOR; SAR 2240) Extended: 2/8/90 Extended Second Time: 10/22/90	2/7/89
IL SIP for Sulfur Dioxide: Revised Process and Fuel Combustion Emission Limits (proposal; No SAR) Extended: 9/18/90	9/6/90
IL SIP for Sulfur Dioxide: Peoria Area (proposal; No SAR) Extended: 9/18/90	9/6/90
OPTS	
Pesticide Status of Products Affecting Soil Bacteria Responsible for Loss of Soil Nitrogen (final; no SAR) Extended: 2/19/91	2/1/91
Proposed Test Rule for Brominated Flame Retardants (proposal; no SAR) Extended: 2/19/91	2/6/91
Pesticides and Groundwater Strategy (final; MAJOR; No SAR)	2/11/91
OSWER	
Solid Waste Disposal Facility Criteria (final; Major; SAR 2224) Extended: 10/28/90	9/27/90
Procedures for Planning and Implementing Off-Site Response Actions (final; SAR 2538) Extended: 4/30/90	4/6/90
State Hazardous Waste Enforcement and Compliance Monitoring Requirements (proposal; SAR 2158) Extended: 11/5/90	10/23/90
CERCLA Cost Recovery (proposal; SAR 2702) Extended: 12/17/90	11/20/90
Phase One Revisions to the Oil Prevention Regulation (proposal; SAR 2634) Extended: 1/4/91	12/20/90
Financial Responsibility Standards Applicable to Owners and Operators of Hazardous Waste Treatment, Storage and Disposal Facilities (proposal; SAR 2647) Extended: 1/7/91	12/28/90
Land Disposal Restrictions "No Migration Variances" (proposal; SAR 2524) Extended: 3/5/91	2/21/91
Land Disposal Restriction Program Treatment Standards for K061 (Electric Arc Furnace Dust) High Zinc Subcategory (proposal; SAR 2093)	

OMB Reviews—Continued

Regulation	Date sent to OMB
Extended: 3/11/91	2/21/91
NPL Update (proposal; No SAR)	3/4/91
OE	
Interim Final Lender Liability under CERCLA (proposal; SAR 2884).	
Extended: 10/18/90	9/21/90
OW	
Treatment of Indian Tribes as States for Purposes of Sections 401,402, and 405 of the CWA (proposal; SAR 2749)	
Extended: 10/4/90	9/20/90
Groundwater Task Force Report (No SAR)	
Extended: 11/20/90	10/16/90
Lead and Copper Drinking Water Regulation (final; MAJOR; SAR 2610)	
Extended: 12/17/90	11/15/90
General Permit for Stormwater Discharges Associated with Industrial Activity (proposal; MAJOR; SAR 2200)	
Extended: 2/11/91	11/27/90
Section Four: Reviews Completed This Week	
OPTS	
Final SNUR 87-1192 et al (final; No SAR)	
Cleared: 3/21/91	12/21/91
OSWER	
Hazardous Waste Management System; Identification and Listing of Hazardous Waste; Toxicity Characteristic: Hydrocarbon Recovery Operations (final; SAR 2062)	
Cleared: 3/25/91	3/12/91
Section Five: Reviews completed by OMB not yet sent to F.R. for publication	
OAR	
Ohio SIP: New Source Review (final; No SAR)	
Cleared: 12/3/90	11/26/90
Rule to Amend Benzene NESHAP for Coke By-Products Recovery Plants (proposal; SAR 2885)	
Cleared: 11/19/90	11/7/90
IL SIP for Sulfur Dioxide: Chicago and East St. Louis (proposal; No SAR)	
Cleared: 11/29/90	9/6/90
State Primacy for the PWSS Program (proposal; SAR 2381)	
Cleared: 11/20/90	11/7/90
OPTS	
FIFRA 6(g) Policy (proposal; SAR 2720)	
Cleared: 11/26/90 Sent: 3/25/91	10/12/90
Criteria for Classifying Pesticides for Restricted Use Due to Groundwater Criteria (proposal; SAR 2351)	
Cleared: 12/6/90	2/1/90
OW	
Non-APA Consolidated Rules of Practice Administratively Assessing Civil Penalties (proposal; SAR 2646)	
Cleared: 1/23/91	11/28/90
Effluent Guidelines for Offshore Oil and Gas (proposal; MAJOR; SAR 1649)	
Cleared: 2/28/91 Sent: 3/13/91	12/21/90
OSWER	
Reportable Quantities for Petroleum Refinery Primary Treatment Sludge (proposal; SAR 2868)	
Cleared: 11/1/90 Sent: 3/22/91	8/2/90
Technical Corrections to RCRA Regulations (proposal; SAR 2944)	
Cleared: 2/8/91	1/31/91
NSPS for Municipal Solid Waste Landfills (proposal; SAR 2535)	
Cleared: 3/7/91	8/31/90
OARM	
NEPA for the EPA's Research and Development Program and for Public and Other Federal Agency Involvement (final; SAR 2536)	
Cleared: 2/4/91	11/1/90

NOTICE OF PUBLIC MEETINGS ON CAA

QUESTION. To assure that the Committee is fully informed of clean air implementation activities, please provide timely notification to the Committee of all public clean air meetings and copies of all documents released to the public, including, but not limited to, all drafts of proposed regulations.

ANSWER. The materials are currently being distributed to the Committee. We will continue providing the Committee with all copies of documents we release, as well as notices about briefings for staff and members and all public clean air meetings.

FEDERAL FACILITIES CLEANUP EFFORTS

QUESTION. What effort is EPA making to establish cleanup priorities for Federal facilities through discussions with States and other Federal agencies? Does EPA continue to support the position, expressed in testimony before this Committee, that such discussions do not require Federal legislation?

ANSWER. EPA is continuing to work closely with States and Federal agencies to ensure that any cleanup schedules developed, whether under a CERCLA Interagency Agreement or a RCRA permit or order, is responsive to the threats posed by the site in question and addresses each participant's requirements.

The Administration is committed to ensuring that all Federal facilities are in compliance with environmental regulations and laws. Cleanup of waste improperly stored and disposed of at other Federal agency facilities is a major priority. EPA believes that these are consistent with existing legislation.

RESPONSES TO QUESTIONS FROM SENATOR MOYNIHAN

DISPROPORTIONATE SPENDING ON RCRA AND SUPERFUND VS. AIR AND WATER PROTECTION

QUESTION. EPA's new report on the *Cost of a Clean Environment* estimates that the costs of protecting the land from disposal of solid and hazardous wastes accounted for 26 percent of environmental protection costs in 1987, and will increase to 34 percent by 1997. Yet, the Science Advisory Board experts found risks from solid and hazardous wastes to be medium to low. On the other hand, a range of air pollution problems, ranging from greenhouse gases to the air we breathe in our homes and places of work, were judged to represent high risks by the experts, while the percentage of costs to prevent air pollution is expected to decline from 29 percent to 27 percent of the budget. Do you believe that, as a nation, we are spending a disproportionate amount of our environmental protection budget on RCRA and Superfund, relative to protecting air and water?

ANSWER. EPA agrees that on the basis of health and environmental risk alone, the U.S. often spends disproportionate amounts to address high and low risk problems. Our current priorities are largely the result of public concern about individual environmental problems as expressed in our environmental laws. There is no overall risk assessment/management framework for environmental protection. This means that discrete activities with adverse environmental impacts are regulated under individual mediaspecific laws with differing requirements for addressing risk, as well as differing administrative requirements that also entail costs.

It should also be pointed out that there is no one-to-one relationship between the amount of spending and the amount of risk reduction achieved. For example, two activities with identical risks—one involving a Superfund site and one involving a water discharge—may need to be addressed by greatly different levels of resources. These levels of spending depend on the technologies and practices available to abate each risk by the same amount, and the cost of such technologies and practices. Therefore, a simple comparison between media programs' spending levels and risk levels cannot provide an adequate assessment of whether spending is too high for one medium relative to the other.

NEED FOR LEGISLATION AUTHORIZING LONG-TERM RESEARCH (EMAP)

QUESTION. EPA proposes a substantial increase in funding for research, including the Environmental Monitoring and Assessment Program (EMAP) and other activities in its long-term core research program. Would legislation specifically authorizing such a longterm core research program, aimed at better assessing pollution exposure and effects as recommended in the reducing Risk report, help to Insure the stability and success of such a program?

Answer. MAP was initiated under the congressionally mandated Reducing Uncertainty in Ecological Risk Assessment Program. At the present time, EPA feels it has adequate legislative authority to continue MAP under existing statutes.

BUREAU OF ENVIRONMENTAL STATISTICS

Question. The "Cost of Clean" report represents a bold and important first step in developing a strategic plan to protect our environment. Does EPA plan to conduct follow-up analyses to better assess the uncertainty in the cost estimates, to assess opportunity costs of environmental regulations, and to assess benefits? How will the current exercise be coordinated with the requirement to assess costs and benefits in section 812 of the Clean Air Act Amendments? Would a Bureau of Environmental Statistics make both jobs easier to do on an ongoing basis?

Answer. As stated in the Administrator's Preface to *Environmental Investments: The Cost of a Clean Environment,* EPA has additional work underway to compile information on the economic benefits of pollution control. We expect that this work will be incorporated into future "Cost of Clean" reports as well as those required under section 812 of the Clean Air Act Amendments of 1990. EPA has no work currently underway to better assess the uncertainties in the cost estimates or opportunity costs, but would expect to include any relevant information that becomes available on these subjects in future "Cost of Clean" reports. The details of the relationship between the section 812 reports and "Cost of Clean" have not been worked out as yet but are expected to be shortly.

There is an obvious need, however, to carefully coordinate the cost numbers between the three reports. "Cost of Clean" has been produced without a Bureau of Environmental Statistics structure; and future "Cost of Clean" and section 812 reports are expected to be produced independently since the emphasis is more on economics than on statistics. At the same time, there .would need to be close coordination with any proposed Bureau, particularly with respect to physical data used in estimating economic benefits.

EXOTIC SPECIES CONTROL FUNDING

Question. The 101st Congress authorized over $30 million for exotic species prevention, control, and research. The Zebra Mussel alone is predicted to cost the Great Lakes region $5 billion over the next 10 years. Yet the Administration has only requested $1.6 million for these programs. Can these problems really be solved without a more substantial commitment?

Answer. The Aquatic Nuisance and Control Act (PL IOI-646, approved 11/29/90) authorizes no funds specifically for EPA activities. Under the terms of the Act, the Administrator is a member of the Aquatic Nuisance Species Task Force, which is responsible for developing and implementing the National Ballast Water Control Program, the Aquatic Nuisance Species Program, and the Zebra Mussel Demonstration Program. Even so, the U.S. EPA has requested $1.6 million in fiscal year 1992 under other authorities to look at the relationship of zebra mussel infestations in the Great Lakes, specifically, the potential for controlling their numbers with chemicals. Other Agencies, NOAA, Fish and Wildlife Service, and the Coast Guard are mainly involved in understanding the life history of the mussel in order to prevent its spread and control its population growth. The Aquatic Nuisance Prevention and Control Act calls for coordination between all of the affected Federal Agencies including the coordination of funding requests. We are not aware of what other agencies may be requesting under the authority of the Act in fiscal year I992.

OPPE—ADEQUATE FUNDS IN FISCAL YEAR 1992

Question. Although EPA recognized pollution prevention as a cost-effective means to protect the environment, no increase is proposed for the Office of Pollution Prevention budget. Even though many new pollution prevention programs may be initiated within the program offices, isn't it necessary to provide additional coordination to support these programs?

Answer. One of the primary objectives of the Office of Pollution Prevention is to integrate a prevention approach into all of the Agency's policies and programs. This can only happen if the program offices consider the multi-media impacts of their activities—in other words, if they aggressively coordinate the development and implementation of their regulations and policies. Increasing the capability to provide that coordination function within the Office of Pollution Prevention may inhibit the speed with which EPA program offices perform that function themselves.

Responses to Questions From Senator Lautenberg

POLLUTION PREVENTION GRANTS TO STATES

Question. The Administration's overall budget document for fiscal year 1992 says on page Part two-389 that "the Administration worked for passage of pollution prevention legislation. . ."

Please provide the Committee with all written correspondence and with dates of phone calls made by EPA and Administration officials to Senators urging passage of this legislation.

Answer. In early 1989, the Agency formed a workgroup to explore legislative ideas in pollution prevention. The group used as its starting points Senator Lautenberg's proposal and similar measure by Representatives Wolpe and Schneider. Administrator Reilly discussed EPA's efforts in testimony before Chairman Lukens' subcommittee in May of that Year. During 1990, EPA continued development activities in pollution prevention, markedly broadening the scope to include ideas pertinent to municipal solid waste issues. EPA's draft proposal was under Administration review when the Pollution Prevention Act of 1990 was enacted.

EPA also testified on pollution prevention legislation on several occasions in 1990 prior to the passage of the Pollution Prevention Act of 1990. Attached is a record of the dates and committees the Agency testified before.

Question. If you so strongly support the concept of pollution prevention, why have you proposed a cut of $4 million from the fiscal year 1991 appropriation for pollution prevention grants to States?

Answer. EPA requested $3 million in straight-line funding for the grants program. The Agency is exploring the possibility of reprogramming fiscal year 1992 funds to fully fund the program at the authorized level. The Agency is firmly committed to pollution prevention and is looking for ways to build pollution prevention criteria into the single media grants programs the Agency administers. The total funding for these programs is approximately $500 million in the fiscal year 1992 request. The grants flexibility workgroup is currently seeking ways to use media-specific grant programs to achieve pollution prevention goals.

Question. Why do you need $3 million for pollution prevention grants to States?

Answer. With EPA's increased emphasis on multi-media pollution prevention, State-based programs that address the reduction or elimination of pollution across all environmental media need to be established. The $3 million in grant funds currently provides States with the necessary resources to develop and implement prevention programs. Using the grant funds, EPA is specifically seeking to build State pollution prevention capabilities or to test, at the State level, innovative pollution prevention approaches and methodologies. The grant funds will also target State efforts to address highly ranked environmental risk areas using pollution prevention approaches. Through support from EPA and enactment of State legislation, 10 States have created self-sustaining pollution prevention programs at the State level.

Question. Do States currently have existing capability to manage effective pollution prevention programs?

Answer. Both State capability and the scope of State pollution prevention programs vary dramatically. Over the past two years, at least a dozen States have enacted Pollution Prevention laws, some with significant data and planning provisions. State programs can range from technical assistance to detailed tracking of facility plans. Many States are capable of managing technical assistance programs, but capability for some of the more demanding planning provision is unknown.

RECORD OF HEARINGS

TESTIMONY ON POLLUTION PREVENTION LEGISLATION

January 24, 1990

Subcommittee on Transportation and Hazardous Materials of the Committee on Energy and Commerce

U.S. HOUSE OF REPRESENTATIVES

Topic: Resource Conservation and Recovery Act (RCRA) Issues.

January 29.1990

Subcommittee on Natural Resources, Agriculture Research and the Environment of the Committee on Science, Space, and Technology

U.S. HOUSE OF REPRESENTATIVES

Topic: Pollution Prevention Research.

April 9, 1990

Subcommittee on Environmental Protection of the Committee on Environment and Public Works

U.S. SENATE

Topic: Pollution Prevention in EPA Regions.

May 16, 1990

Consumer Subcommittee of the Committee on Commerce, Science and Transportation

U.S. SENATE

Topic: Environmental Labeling.

June 28, 1990

Subcommittee on Commerce, Consumer Protection and Competitiveness of the Committee on Energy and Commerce

U.S. HOUSE OF REPRESENTATIVES

Topic: Municipal Solid Waste and Recycling.

August 1, 1990

Subcommittee on Procurement and Printing of the Committee on House Administration

U.S. HOUSE OF REPRESENTATIVES

Topic: Requiring Congress to Purchase Recycled Paper and Paper Products.

September 19, 1990

Subcommittee on Energy and Commerce of Committee on Energy and Commerce

U.S. SENATE

Topic: "Lead Pollution Prevention Act of 1990."

CHEMICAL SAFETY BOARD

QUESTION. The President's overall fiscal year 1992 budget document (Part Four—1082) proposed to spend $5 million for the Chemical Safety Board established in

Title III of the 1990 Clean Air Act Amendments after the Congress passes legislation during constitutional concerns about the legislation.

A. Why didn't the Administration ever raise these alleged constitutional problems during congressional consideration of the Clean Air Act?

B. What are the constitutional concerns?

C. Please provide the Committee with the Administration's legal analysis of the alleged constitutional problems.

ANSWER. For many years the Executive Branch has consistently opposed the creation of agencies or subagencies which, like the Chemical Safety and Hazard Investigation Board, are not fully responsible to the President for the exercise of substantial responsibilities. Thus, for the same reasons expressed in the President's Clean Air Act Amendments signing statement this Administration has strongly opposed legislative proposals to create an independent Bureau of Environmental Statistics within the proposed Department of the Environment. Similarly, because of these concerns the Clean Air Act Amendments originally proposed by the President would have created an Air Pollutant Release Investigation Board structured as a normal Executive-Branch agency. *See* H.R. 3030, section 705.

As explained below, we believe that such entities raise extremely serious issues as a matter of constitutional law, particularly in light of the Supreme Court's recent decision in *Morrison* v. *Olson*, 108 S.Ct. 2597 (1988). In addition, we believe that they are highly undesirable as a matter of policy.

A. Removal Restrictions

The Act established the Board as an "independent safety board" closely affiliated with the Environmental Protection Agency (EPA), which is of course within the Executive Branch of the government. Section 112(r)(6)(A).[1] Although many of the authorities that this provision confers on the Board could be deemed "essentially of an investigative and informative nature, falling in the same general category as those powers which Congress might delegate to one of its own committees. . . " *Buckley* v. *Valeo*, 424 U.S. 1, 137 (1976), a large number of its functions must be characterized as the "exercis[e] [of] significant authority pursuant to the laws of the United States." *Id.* at 126 (1976). These include the ability to adopt regulations "binding on persons" for the report of accidental hazardous substance releases, section 112(r) (6) (C)(iii). After the Board promulgates such "binding" reporting regulations, "[i]t shall be unlawful for any person to fail to report any release . . . as required by (them]," and the Administrator is authorized to enforce such regulations and requirements.

In addition, the Administrator and the Secretary of Labor are required to respond "formally and in writing" to recommendations that the Board submits to them, giving reasons for any departure form the Board's recommendations. Sections 112(r)(6)(H), (I), (J). The Board may also "use any information gathering authority of the Administrator under [the Clean Air] Act." Section 112(r)(6)(M). Any request for information from a stationary source made by the Board or the Administrator under this section of the Act is to be treated for purposes of all the Act's enforcement provisions as a request made by the Administrator under section 114 of the Act, and may be enforced by either the Chairman of the Board or the Administrator as provided in that section. Section 112(r) (6) (O), 113(b) (2), 113(d)(1)(B), 114.

The Board is further authorized to establish both procedural and administrative rules necessary to exercise its functions, section 112(r)(6)(N). The Administrator is obliged to provide to the Board "such support and facilities as may be necessary for [its] operation. . ." Section 112(r) (6) (P). In addition, the Board is authorized to enter into contracts, leases, cooperative agreements, and other transactions necessary to its functions. Section 112(4)(6)(N). The Board is empowered to make determinations to withhold access to otherwise available materials from the public under specified conditions. Section 112(4)(6)(Q). It may also conduct research. Section 112(4)(6)(F).

Despite giving the Board these attributes of executive authority, the Act provides that Board members may only be removed by the President for "inefficiency, neglect of duty, or malfeasance in office." Section 112(r)(6)(B). As you know, the Supreme Court approved certain limitations on the President's removal power over independent prosecutors in *Morrison* v. *Olson*, 108 S. Ct. 2596 (1988). The Court's reasoning in that case, however, severely undercuts any argument for the validity of the Board. First, the Court emphasized that the independent counsel, unlike the Board, lacked policymaking or significant administrative authority. *Id.* at 2619. Unlike the independent counsel, who is required generally to follow the prosecutorial guidelines established by the Department of Justice, see 28 U.S.C. section 594(f), the Board exercises its important regulatory, contracting, investigatory, and enforcement powers without any comparable statutory obligation to adhere to otherwise applicable EPA or Federal policies.[2] Second, while the independent counsel is the incumbent of a temporary office and enjoys only limited tenure *id.*, Board members would be appointed for five years, a term longer than the President's and the Board itself would have unlimited duration. Third, while the independent counsel has a narrow jurisdiction centering on specific cases, the Board has a broad, general subject-matter jurisdiction. Sections 112(r)(6)(B), (C). Fourth, the Court noted that the independent prosecutor was only an "inferior officer" for Appointments Clause purposes. *Morrison*, 108 S. Ct. at 2619. By contrast, the Board chairperson, who "shall be the chief executive officer of the Board and shall exercise the executive and administrative functions of the Board," section 112(r)(6)(B), would appear to be a principal officer of the United States for purposes of the Appointments Clause. similarly, with respect to the Board's non-executive and non-administrative functions, both the Chairman and other members of the Board appear to function as principal officers. This argument is reinforced by the fact that the members of the Board are to be appointed by the President with the advice and consent of the Senate, in the manner specified by the constitution for principal officers of the United States. Section 112(r)6)(B). Finally, the perceived conflict of interest between the President's duty to enforce the laws and his putative concern to protect his closest advisors that gave rise to the independent counsel statute does not obtain in the context of this statutory provision: there is no conflict between the President's duty to enforce the laws and the responsibilities devolved on the Board. In short, we believe that the court's analysis in *Morrison* raises exceptionally serious. questions regarding the constitutionality of the proposed restrictions on the President's removal power. Accordingly, although, as the Presidential signing statement noted, we believe that these removal provisions are severable, enactment of quite simple and limited curative legislation would place the issue beyond dispute and ensure that the important responsibilities of the Board were not compromised or delayed by litigation.

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[1] Unless otherwise noted, references herein will be to the provisions of the Clean Air Act as revised by the Amendments, rather than to provisions of the Act itself.

B. Concurrent Reporting Requirements

The Act also purports to impose further restrictions on the president's authority to supervise the Board independent of the removal restrictions discussed above. Although the Board is part of the Executive Branch and will exercise significant authority under the laws of the United States, section 112(r)(6)(R) purports to require the Board,

> whenever [it] submits or transmits any budget estimate, budget request, supplemental budget request, or other budget information, legislative recommendation, prepared testimony for congressional hearings, recommendation or study to the President, the Secretary of Labor, the Administrator, or the Director of the Office of Management and Budget. . . concurrently [to] transmit a copy thereof to the Congress.
>
> Further, the provision purports to deprive any officer or agency of the United States of authority to require the Board to submit its budget requests or estimates, legislative recommendation, prepared testimony, comments, recommendations or reports to any officer or agency of the United States for approval or review prior to the submission of such recommendations, testimony, comments or reports to the Congress.

It would further provide that

> [i]n the performance of their functions as established by this Act, the members, officers and employees of the Board shall not be responsible to or subject to supervision or direction, in carrying out any duties under this subsection, of any officer or employee or agent of the Environmental Protection Agency, the Department of Labor, or any other agency of the United States except that the President may remove any member of the Board for inefficiency, neglect or duty or malfeasance in office.

Section 112(r) (6) (S) further provides that the Board must submit an annual report "to the President and to Congress" including, inter alia, information on accidental releases during the previous year and the board's past recommendations for legislative or administrative action to the Administrator, the Secretary, or the heads of other Federal agencies and their implementation-thereof.

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[2] The legal defect is also gravely objectionable as a matter of policy. Despite largely precatory statutory mandates to coordinate activities with other Federal agencies, *see* sections 112(r)(6)(D), (E),(F), the overlapping jurisdiction and powers of the Board virtually ensure inconsistent or duplicative enforcement, investigatory, contracting and research activities.

These provisions also raise extremely serious constitutional questions and, though severable, should be deleted from the act in their entirety to avoid jeopardizing the important responsibilities of the Board. It has been the longstanding view of the Executive Branch that congress may not consistent with the constitution require Executive Branch officials to submit reports and proposal to Congress without prior review by their superiors in the Executive Branch. *See, e.g.*, 6 Op.O.L.C. 632, 640 (1982); 1 Op.O.L.C. 16, 17-18 (1977) (concurrent reporting requirements offends President's art. 11 power to direct). *See also, Myers* v. *United States,* 272 U.S. 52, 163–64 (1926); *Congress Construction Corp.* v. *United States,* 314 F.2d 527, 530–32 (Ct. Cl. 1963). Congress a *fortiori* may not directly deprive the President and his delegates of the authority to supervise his subordinates. See id.

C. Integrity of the Deliberative Process

Section 112(r) (6) (H), (I), and (J) of the ct contain provisions requiring the Board to publish recommendations to which the Administrator or the Secretary would be required to respond "formally and in writing." Section 112(r) (6) (S) requires the Board to submit an annual report to the President and congress including, *inter alia,* recommendations for legislative and administrative action made by the Board and any action taken to implement such recommendations by EPA or other Federal agencies.

Section 122(r)(6)(H), (I), and (J) could be read to permit or require the Board to publish its recommendations to EPA and other Federal agencies and their "formal and . . . writ[ten]" responses thereto; in any case, section 112(r)(6)(S) requires the Board annually to provide congress with such recommendations and the agencies' responses thereto. Both these provision impermissibly impair the integrity of the Executive Branch's deliberations by requiring the publication of interagency consultations. They would thereby run counter to the President's authority as head of the unitary Executive Branch to "take Care that the Laws be faithfully executed," U.S. Const. art. II, sec. 3, and to coordinate and supervise his subordinates. In addition, such mandatory procedures inevitably reduce the quality of the advice tendered to Federal decisionmakers, to the serious detriment of the public interest. As the Supreme Court has noted,

> [T]he importance of this confidentiality is too plain to require further discussion. Human experience teaches that those who expect public dissemination of their remarks may well temper candor with a concern for appearances and for their own interests to the detriment of the decisionmaking process.

United States v. *Nixon,* 418 U.S. 683, 705 (1974) (footnote omitted). Because the provisions noted above compromise what the Supreme Court has termed "the necessity for protection of the public interest in candid, objective, and even blunt or harsh opinion" in Executive Branch decision making, id. at 708, they should be modified or deleted to ensure that decisionmaking in this critical area is informed by advice and information of the highest calibre and to permit the Board's work to proceed without any question, hindrance, or delay of its activities.

CAA—ACCIDENTAL RELEASE REDUCTIONS

Question. Why has EPA proposed to decrease funding for its Clean Air Act Accidental release program (p.5–49) in fiscal year 1992?

Answer. The Clean Air Act Amendments of 1990 contained new provisions for preventing accidental releases. Fiscal year 1992 is the first year the Agency is requesting resources for implementing this program. With these resources EPA will begin the regulatory development process for meeting statutory deadlines of the Clean Air Act's accidental release provisions. In 1992, the program will focus on the following objectives:

1) Developing a list of hazardous chemicals, with reporting thresholds, that upon accidental release seriously affect the general public and the environment.

2) Developing regulations addressing requirements for owners and operators of facilities to develop risk management plans, coordinating Agency activities with OSHA, developing guidance and evaluating regulatory impact. The program will also develop procedures for registration, audit and review of plans.

3) Providing support and establishing liaison with the Chemical Safety and Hazard Investigation Board after it has been established. EPA will begin formulating procedures and processes for assisting Board startup and coordinating and assisting the Board in investigating accidents. These actions assume enactment of cu-

rative legislation that the Administration will draft to address constitutional concerns raised by the 1990 CAA amendment's provision related to the Board.

4) Conducting a hydrofluoric acid study and develop required regulations either for converting to an alternative, or for preventing accidental releases.

5) Developing the expertise of States and local entities who will be required to receive and review information from regulated facilities.

INDOOR AIR AND RADON OBJECTIVES

QUESTION. In 1989, the Administration released a report on needed indoor air efforts. How will the fiscal year 1992 budget request for indoor air meet the objectives in the 1989 report?

ANSWER. Resources will be devoted to pursuing all the recommendations in the 1989 Report including:

- $500,000 for the development of an indoor air quality emissions inventory;
- $2,000,000 for a large building indoor air quality characterization study;
- $2,200,000 for source assessment and mitigation research;
- $500,000 for biocontaminant research;
- $400,000 for the operation of a National Indoor Air Quality Clearinghouse;
- Providing each Regional Office with a full time staff person in each Region to work exclusively on coordinating indoor air quality education, outreach and problem solving; and
- $1,000,000 to develop and provide indoor air quality training courses to State and local personnel; building owners and managers; school facility operations; and other selected audiences throughout the country.

QUESTION. What actions suggested in the 1989 report won't be undertaken by EPA?

ANSWER. The fiscal year 1992 budget request will permit the Office of Air and Radiation to undertake meaningful activities in support of all of the recommendation areas pertaining to program and policy development, and the Office of Research and Development will be able to expand its research on a number of indoor air quality topics proposed in the 1989 Report, including expanded research on the extent of indoor air problems in public and commercial buildings of source characterization and mitigation, and biocontaminants.

QUESTION. Is EPA proposing an increase in indoor air research funding for fiscal year 1992?

ANSWER. Yes. EPA has requested $6.8 million in fiscal year 1992 to fund expanded indoor air research, an increase over fiscal year 1991 levels of $2.5 million.

QUESTION. Please indicate the amount of funding for indoor air and radon efforts requested by EPA as well as the amount approved by OMB? If the EPA request exceeded the amount in the President's budget please indicate specifically what activities would have likely been accomplished due to the OMB reduction.

ANSWER. EPA requested $6.3 million and 28.5 workyears for Indoor Air Division activities and the President's request was $5.5 million with 23.5 workyears. It is anticipated that all of the activities for which funding was requested will be funded at a reduced level to reflect this reduction.

EPA requested 95.2 workyears and $20.9 million in extramural funds. OMB approved 91.2 workyears and $19.4 million in extramural funds.

The difference in resources would have allowed EPA to: do additional work to promote the adoption of the model building codes for radon resistant new construction; expand various public education and information programs; and increase funding to States to support State level radon programs.

WATER POLLUTION FUNDING

QUESTION. Do you have an analysis which shows that State revolving loan funds will be adequately capitalized under the Administration's sewage treatment budget proposal? If so, please provide the committee with that analysis.

ANSWER. Capitalization of State revolving loan funds (SRF) is addressed in two SRF Reports to Congress, which are nearing completion. The Interim report will be sent to the Committee within a few weeks. The final report covering 46 States is scheduled for transmittal to Congress in the spring.

QUESTION. Did EPA in its request to OMB recommend sewage treatment grant funds for the projects listed in the EPA budget?

ANSWER. EPA requested grants funds for two projects: $40 million for Boston Harbor and $50 million for Tijuana. However, through our deliberations we came to agree with the need to complete Tijuana as soon as possible to protect public health and the National Wildlife Refuge, and to increase funds for Boston which complements the Coastal America Initiative.

QUESTION. What analysis do you have to show that these five projects are the most important sewage treatment projects in the Nation?

ANSWER. Based on the 1988 needs survey, these five cities have the largest current secondary treatment needs in the Nation.

QUESTION. Does EPA believe that States will have adequate resources to manage their responsibilities under the various Federal water pollution control requirements? If not, what shortfall in funding do you think States will have.

ANSWER. Yes, States can generally meet their responsibilities. Any small shortfalls could be made up through existing financial mechanisms or others which are reasonably available to the States. They could also impose user fees to support the NPDES program in delegated States, as EPA is going to do in non-delegated States.

QUESTION. If nonpoint source pollution represents such a significant portion of the Nation's water pollution problems, why is the Administration proposing to cut funding for the nonpoint source grant program to States?

ANSWER. Recognizing the serious risks posed by NPS pollution, the Administration for the first time requested funds for the section 319 NPS program grants to States in the President's fiscal year 1991 Budget.

The Agency's fiscal year 1992 section 319 grants request (which is a $10 million increase over our fiscal year 1991 request) must be viewed in the context of the fiscal year 1990 and 1991 appropriations already providing $89.5 million for section 319. It must be recognized that NPS is fundamentally a local problem which is most amenable to local solutions. Since much of the Nation's non-point source pollution is from agriculture, the 1990 Farm Bill authorized, and the President requested substantial sums to implement conservation plans, the Conservation Reserve Program, and other cost-sharing programs to reduce NPS pollution. The Soil Conservation Service and Extension Service are putting greater emphasis on providing technical assistance to control NPS pollution. The Federal role is to enable States and local governments to devise and implement appropriate solutions to NPS pollution, a role which is adequately supported by the Agency's fiscal year 1992 request. Given the emerging nature of NPS programs in many States and the need to assure that NPS monies receive adequate EPA and State oversight, we believe our fiscal year 1992 request is prudent and will result in measurable progress in reducing NPS risks.

QUESTION. What level of funding for nonpoint source pollution grants to States did EPA request from OMB?

ANSWER. 1992 is the second consecutive year EPA will request funds for nonpoint source (NPS) grants. EPA requests $25 million for this program. This is a decrease of $26 million reflecting the large Congressional appropriation in 1991.

This Administration continues to recognize the need for Federal support of the initial efforts by States to implement NPS. While controlling NPS pollution is a State and local responsibility, EPA will target funding toward those programs that demonstrate the ability and willingness to implement the best management practices for controlling the most serious NPS pollution.

For example, we will encourage State NPS programs that:

- protect and restore critical aquatic habitats;
- establish linkages with State agricultural agencies and USDA Water Quality Initiative demonstration projects;
- develop effective pollution prevention programs to minimize generation of NPS pollution at the source;
- establish public education programs that encourage awareness and modification of day-to-day activities which generate NPS pollution.

QUESTION. Please indicate for each year since the inception of the Construction Grants program, the total amount requested by the President, the total amount appropriated, and the total amount authorized.

ANSWER. See the attached tables. The President's Budget requests from fiscal year 1957 through fiscal year 1977 are not available.

Construction Grants Funding—Fiscal Years 1957–1967

(Dollars in millions)

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Authorization Grants	50	50	50	50	50	80	90	100	100	150	150

Construction Grants Funding—Fiscal Years 1957-1967—Continued

(Dollars in millions)

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
President's request											
Grants											
Appropriations											
Grants	50	*45	*47	*46	*46	80	90	90	90	121	150

* Included supplemental appropriations of $657,000 in 1958, $1,816,000 in 1959, $1,101,000 in 1960, and $645,260 in 1961.

Construction Grants Funding—Fiscal Years 1968–1977

(Dollars in millions)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Authorization										
Grants	450	700	1000	1250	2000	**5000	**6000	**7000	no auth.	1000
President's request										
Grants										
Appropriations										
Grants	203	214	800	1000	2000	***2000	***3000	***4000	9000	1416

** Contract Authority (method of funding changed from authorized appropriation to contract authority by 1972 Act.)
*** Amount of contract authority released by Presidential action.

Construction Grants Funding—Fiscal Years 1978–1985

(Dollars in millions)

	1978	1979	1980	1981	1982	1983	1984	1985
Authorization								
Grants	4500	5000	5000	5000	2400	2400	2400	2400
President's request								
Grants	4500	4500	3800	2500	2400	2400	2400	2400
SRF								
Appropriations								
Grants	4500	4200	*2520	*2520	2400	2430	2435	2400
SRF								

* $3,400M was appropriated in 1980 but $880M was rescinded. $3,300M was appropriated in 1981 but $746M was rescinded.

Construction Grants Funding—Fiscal Years 1986–1992

(Dollars in millions)

	1986	1987	1988	1989	1990	1991	1992
Authorization				2400	2400	2400	1800
Grants	2400	2400	2400	1200	1200	0	0
SRF				1200	1200	2400	1800
President's request				1500	1200	1600	1900
Grants	2400	1800	2000	750	400	0	400
SRF				750	800	1600	1500
Appropriations	1774	2361	2304	1950	1991.7	2100.0	—
Grants			1958	941	973.5	0	—
SRF			346	941	973.5	2047.8	—
Special projects				68	44.7	52.2	—

ASBESTOS RESOURCES

Question. Does EPA have an estimate about the cost to correct the remaining threats posed by asbestos in schools?

Answer. No national survey has been conducted which will provide a direct answer to this question. However, EPA can make a limited projection based on the few years of experience with the implementation of the Asbestos School Hazard Abatement Act (ASHAA). While the 1989 and 1990 applicant pool requested costs for projects totaled $368 and $403 million respectively, and the number of projects were 4,125 and 3,352 respectively, the 1991 applicant pool requested approximately $170 million for over 1,200 projects.

This decrease is attributable to a number of factors: 1) In 1987, EPA promulgated the Asbestos Hazard Emergency Response Act (AHERA) which required schools to identify friable and nonfriable asbestos in their buildings and to develop management plans for dealing with asbestos in schools. Most schools completed this task in July, 1989; and, 2) the Agency in July, 1990 has published a guidance document which details ways of managing asbestos in place. In addition, on March 6, 1991 Administrator Reilly signed an advisory to the public to facilitate better understanding about asbestos and to promote appropriate asbestos response action in buildings.

Question. Do significant asbestos threats in schools still remain?

Answer. As the schools learn how to better manage asbestos in place, the need for abatement will decrease. On the other hand, nonfriable materials can and will become friable over time increasing the need for abatement action. Although the ASHAA program has gone a long way in addressing the asbestos problem with the Federal financing of the neediest schools, problems with asbestos will still continue to be a concern as older buildings deteriorate.

Question. Do you have any analysis to show that remaining problems would only go to schools that are capable financially of addressing an asbestos problem?

Answer. By the end of 1991, EPA will have awarded over $290 million through loans and grants to alleviate the asbestos threat in over 1,000 financially neediest schools. While no hard data exist, EPA estimates that compliance with the Asbestos Hazard Emergency Response Act, which includes elimination of the most serious asbestos hazards may continue to impose some financial hardship to school districts. The Agency, however, believes decisions on the management of asbestos, including the funding of abatement programs, are most appropriately handled at the State and local level where compliance with regulations requires appropriate local actions. Thirty-two States have enacted more than 60 asbestos-related laws and nearly half of the States have financing provisions in the laws.

MUNICIPAL SOLID WASTE

Question. EPA has reported that the Nation's landfill capacity is shrinking. Is the EPA proposing any increased funding in fiscal year 1992 to help address our solid waste capacity crisis? If not, why not?

Answer. The Agency's request for funding of municipal solid waste activities remains unchanged in fiscal year 1992 from fiscal year 1991. EPA's efforts in this area have principally focused on seeking solutions to the Nation's landfill capacity problems. The President's Budget requested level of funding will allow the Agency to devote significant attention to capacity issues through the concept of integrated waste management. This includes providing assistance to State and local governments on source reduction and recycling to reduce the quantity of waste requiring disposal; implementing Federal procurement guidelines to provide markets for materials recovered from the waste stream; providing information on techniques to improve the safety of landfilling and incineration; and publication of a guide to assist small communities in the siting of new disposal facilities. In addition, the Agency is proposing new rules governing the operation of municipal solid waste landfills in an effort to build public confidence in landfills and make the siting of new facilities less problematic.

RISK ASSESSMENT—CORRECTIVE ACTION

Question. The President's budget contains a new section on risk management. It identifies various programs which the President believes should be "experiments" in this new approach, including EPA's cleanup program for hazardous waste site under RCRA (corrective action). OMB also has identified rules which it apparently deems are not cost-effective, including EPA rules. Unfortunately, OMB seems to have taken another opportunity to criticize EPA's conservative approach to risk assessment. What type of review of EPA's corrective action rule will be required under this new program? Will this review mean additional delay in the long-awaited corrective action rule?

Answer. As described in the President's fiscal year 1992 budget, under "Reforming Regulation and Managing Risk Reduction Sensibly," the Administration has selected 11 pilot projects for Risk Management Budgeting, one of which is entitled "Corrective Action for Certain Hazardous Waste Treatment Storage and Disposal Facilities." The ultimate goal of this program is to ensure an allocation of resources that achieves the greatest net benefit.

EPA is in the process of conducting a comprehensive regulatory impact analysis (RIA) for the RCRA Corrective Action Rulemaking. This analysis will estimate the costs and benefits of various regulatory options for the cleanup of releases from hazardous waste treatment, storage and disposal facilities. EPA began developing the methodology for this analysis in the late summer of 1990 (in advance of the publication of the Presidents's fiscal year 1992 budget) and formed an interagency workgroup (which includes representation from: OMB) to expedite data gathering on Federal facilities and to obtain early feedback on the methodology that EPA is using to conduct these analyses. EPA expects that the analyses conducted for the purposes of the RIA will satisfy that aspect of the Corrective Action Risk Management Budgeting pilot project. EPA does not expect that the Corrective Action Rule will experience any delays associated with completing additional analyses to satisfy the Risk Management Budgeting Initiative.

CARSON RIVER MERCURY SITE

Question. In October 1989, a 50-mile stretch of the Carson River was proposed by the State of Nevada to become Nevada's first site for clean-up under the Superfund program. The site has been contaminated by mercury used in the amalgamation of gold and silver. Mr. Reilly, I understand the Carson River Mercury Site has obtained NPL (National Priorities List) status. What activities have been undertaken at the site?

Answer. The Carson River Mercury Site is currently listed on the NPL. The remedial action program is currently outlining the scope of the remedial investigation/feasibility study (RI/FS), preliminary to drafting a full RI/FS workplan. The RI/FS analyzes the type, complexity and size of the hazardous wastes located at the site and presents possible remediation options. The current budget of $750,000 is being paid for directly from the Trust Fund. The removal program has taken measurements at over a hundred tailings piles in the greater Carson River drainage patterns and is currently assessing whether these areas should be subject to immediate emergency action.

Question. The inefficient milling processes of the last century left much valuable ore in the waste materials now scattered in streams and across the land. Some believe the removal of mercury contaminants in the river is feasible—environmentally and economically. Are there other Superfund sites where recovery and reprocessing of valuable waste materials can pay for all or part of the cleanup required?

Answer. At the present time, there are no other NPL sites undergoing recovery and reprocessing of valuable waste materials located at the site. Abandoned mining sites present a unique opportunity for reclamation not present at other NPL sites. In the case of the Carson River Nevada NPL site there is a probability that mercury is located with other valuable materials such as silver and gold.

Question. Do you believe these sites offer a unique opportunity for integrated pollution control, in the sense that a private enterprise which is not liable for cleanup of the site under CERCLA might be interested in remining these materials in a way that cleans the environment?

Answer. The opportunity for reclamation of wastes at a site by a private party not liable under CERCLA could certainly exist. Should a private enterprise propose to recover valuable materials and, in the process, remove the hazardous substances from the environment they would be faced with the decisionmaking process present in all environmentally complex situations. The private enterprise would need to consider the opt ion: between a removal action versus the time-consuming procedures applicable to a remedial action as well as many other economic and environmental factors to determine the feasibility of such a project.

Question. Isn't it true that many of these sites do not have associated liable parties to bear the cost of cleanup because the historic mining operations are long gone without successors?

Answer. Historic mining sites unquestionably pose special problems in identification of liable parties and it is expected that many of the persons responsible for the mercury contamination in the Carson River and other similar sites in the West will not have successors who are liable for conducting response actions.

However, EPA is conducting a phased potentially responsible party (PRP) search and believes it is too early in the process of the Carson River PRP search to be able to say with any certainty that there are no current successors to persons responsible for the generation of the mercury that is now found in the Carson River basin.

Question. For a typical stream bed pollution in the West by tailings material, is the State involved liable as the current owner of the contaminated river bed of a navigable-in-fact stream, as well as the owner at the time of disposal of the tailings materials?

Answer. As the owner of the stream bed for any navigable streams in the State now and at the time of most of the mining activity, the State of Nevada would be the owner of a significant portion of the site and PRP under CERCLA section 107(a)(1) and 107(a) (2). Similar issues could arise as to the United States under CERCLA section 107(a)(2) with respect to any mercury releases prior to Nevada statehood in 1864. The United States may also be faced with issues under CERCLA section 107(a) (1) as the site extends to the Lahontan Reservoir, owned and operated by the United States Bureau of Reclamation, and the Stillwater National Wildlife Refuge, a unit of the United States Fish and Wildlife Service. EPA expects to make decisions regarding the need for further participation by all of these parties at some point after it has completed its initial scoping of the site.

Question. Doesn't the timing problem facing such a private enterprise arise from it being caught up in the remedial investigation/feasibility study/record of decision process? Wouldn't that substantial delay be ameliorated by characterizing the project as a "removal" action limited in time and in geographic scope?

Answer. It is true that a private enterprise which proposed to recover valuable materials and, in the process, remove the hazardous substances from the environment would be faced with a shorter review and decisionmaking process if the action were characterized as a removal action, subject to the less involved provisions of 40 C.F.R. section 300.415 than if the response were treated as a remedial action subject to the more time-consuming procedures applicable to such actions, including preparation of a remedial investigation/feasibility study.

Whether or not CERCLA would permit the recasting of a major response action at an NPL site as a removal action, the need for necessary environmental review may present an equally significant element of delay. Historic mining sites, like Carson River, frequently involve complex environmental problems which cannot be answered quickly, whether the action is studied under a remedial investigation/feasibility study used for remedial actions or under an engineering evaluation/cost analysis used for non-time critical removal actions.

DELAYS IN SUPERFUND CLEANUP EFFORTS

Question. I'm concerned about EPA's Superfund program. In my State of Ohio, cleanup efforts at Superfund sites have been proceeding very slowly. I don't believe Ohio's situation is unique. Why are the cleanups progressing so slowly?

Answer. Cleaning up the hazardous waste sites in the United States is a very complex and lengthy process and requires the participation of many players. Negotiations with a potentially responsible party (PRP) can be quite long. Involving a community throughout all aspects of the cleanup process is a sensitive and time consuming process. State involvement at a site is also necessary and again, usually requires a period of negotiation. The involvement of so many players in the cleanup process is necessary but is also subject to many delays. Specifically, Remedial Actions (construction) have been initiated at six of the thirty-four NPL sites in Ohio. Five of these sites have completed the construction phase. In addition, construction will soon begin at an additional six sites where either a Consent Decree settlement is awaiting approval by a Federal Court or where EPA has issued an order for PRPs to conduct the cleanup. The delay at Ohio Superfund site is primarily during the remedial investigation/feasibility study phase. Most of these investigations/studies are being conducted by the PRPs.

CLEANUP EFFORTS IN UNIONTOWN, OHIO

Question. One Superfund site in Ohio has been particularly troublesome. That site is the Industrial Excess Landfill in Uniontown. As you know, I've been very involved in the effort to clean up this site in an adequate manner. It has been a very lengthy process. Yet I still don't believe EPA has sufficient data as to the true extent of contamination at the site. For instance, we've been battling U.S. EPA Region V for some time about doing sufficient radiation testing. There are very specific tests which should be performed to get adequate data. We need this data to provide the basis for a sound and comprehensive cleanup. What are you going to do to ensure that this is accomplished?

ANSWER. We are currently in the process of finalizing the planning documents for the design investigation at the Industrial Excess Landfill site. This additional data collection effort should be initiated in late Spring 1991 and completed by late Fall 1991. We are conducting extensive radiation testing of the groundwater on and near the site to determine if radiation contamination is a problem at the site. We are continuing to coordinate our data collection efforts with the community and elected officials through the Industrial Excess Landfill Technical Information Committee. We have provided both your staff and Senator Glenn's staff with extensive documentation and explanation of our radiological testing program, and remain ready to discuss our approach further.

We believe this approach to the additional data collection is scientifically sound and supportable. The data from this summer's sampling efforts will provide a good basis for the design and implementation of the selected remedy. If the data collected during this design investigation indicates the selected remedy will not be protective of public health or the environment, we are committed to revisiting and amending the selected remedy to provide a sound and comprehensive cleanup.

ENVIRONMENTAL LABEL MARKETING

QUESTION. Bill Reilly has announced an EPA effort to establish definitions for environmental marketing claims.

How much money does EPA plan to spend on this effort in fiscal year 1992?

ANSWER. EPA, together with the U.S. Office of Consumer Affairs, asked the Federal Trade Commission (FTC) to participate in a joint Federal task force to develop and promote national guidelines for the use of some environmental terms, such as "recycled" and "recyclable" and to explore the appropriate ways to address other more general environmental claims. As a consequence, the three agencies ave recently formed the task force and will be working cooperatively towards reducing consumer confusion in the marketplace of environmental claims and provide Federal leadership and cooperation in addressing the issue of environmental claims.

As part of this effort, EPA is developing voluntary guidelines or definitions for the terms "recycled" and "recyclable." We will be distributing draft guidelines for these terms early summer and plan to finalize them by the end of the calendar year. We are also beginning to develop guidelines or definitions for many of the other commonly used environmental claims such as "biodegradable" and "environmentally friendly."

Funding for the labeling initiative has not been broken out from the broader recycling budget. We expect that the ongoing discussions with FTC will determine the exact level of resources the agencies will devote to this effort for fiscal year 1992. Funds will be made available for this effort from within existing resources.

QUESTION. Are you proposing any increased funding in fiscal year 1992 for this effort?

ANSWER. As stated above, our discussions with FTC will determine the level of resources devoted to the labeling effort in fiscal year 1992.

QUESTION. What are your plans for developing these definitions?

ANSWER. Working with the interagency task force, the States, and the public at large, we plan to propose voluntary guidelines or definitions this summer for the terms "recycled" and "recyclable." After receiving comments, hopefully in public hearings sponsored by the task force, we will consider all comments and revise them the voluntary definitions or guidelines as necessary. We will publish final guidelines or definitions in late 1992. For general terms such as "environmentally friendly" we plan to propose guidelines or definitions during 1991.

QUESTION. Do you believe EPA should have the lead role in developing definitions for environmental marketing claims?

ANSWER. Because Federal policy on environmental marketing claims necessarily includes considerations of environmental and advertising policy, we believe that EPA, with its environmental expertise, the Federal Trade Commission, with its advertising expertise, and the U.S. Office of Consumer Affairs, with its consumer expertise, should jointly be leaders in establishing Federal policy in this area.

QUESTION. Do you believe there is a need for product as well as packaging standards?

ANSWER. Manufacturers are making environmental claims not only about their products, but also about the packaging of their products. Consequently, any guidelines or definitions that EPA proposes must cover claims about products as well as packaging.

Question. Do you plan to develop specific definitions for claims or merely provide general guidance for the use of claims?

Answer. The decision to develop general guidelines or more specific definitions will be made individually for each term or set of terms. For example, vague or general claims such as "environmentally friendly" can best be addressed by guidance at this time. For "recycled" EPA is currently considering options that include both general guidance and very specific definitions. One thing that is not yet clear is which approach would better promote recycling. For example, does more recycling occur if the manufacturer lists the amount of recycled content on the label, or if there is a minimum amount of recycled content required before the manufacturer could make such a claim? One of the issues EPA will discuss with FTC is the complex interaction of technology, the marketplace, and consumer forces in this area.

Question. What evidence does the EPA have concerning how extensively marketing claims are being made regarding consumer products and packages and is the EPA seeing an increased use of such claims?

Answer. According to Marketing Intelligence Service Ltd., a company that gathers and analyzes new product information, "environmentally friendly" products are being introduced at a rate of 20 to 30 times greater than that of other new packaged goods (*The Marketer,* April 1990); and "green" products constituted 4.5 percent of all new product introductions in 1989 and 9.2 in the first half of 1990. (*The Green Report,* November 1990) As a point of reference, "green" products made up only .5 percent of all new products in 1985. Our anecdotal information based on conferences, the press, and information we receive from the public confirms this increase in the use of environmental claims.

Question. Would the EPA consider the impact that a product or package would have on the environment in setting a guideline or would the EPA solely consider whether the claim is deceptive?

Answer. We are very concerned about potential deceptive uses of environmental claims because it is clear that minimizing deceptive advertising can help improve environmental quality. This is one reason we were so interested in establishing a task force with the Federal Trade Commission, whose expertise is in the area of deceptive advertising. However, our concern is environmental quality. We believe that the appropriate use of environmental claims, that is, consumers requesting products that are less harmful to the environment, and manufacturers increasing their production of such products, can improve environmental quality. Thus any guideline or definition that EPA might propose would include the consideration of environmental factors as well as minimizing the potential for deception.

Question. Do you believe that standards for claims should be the type of vague guidelines suggested in the recent petition by the National Food Processors Association to the FTC or should standards be specific, substantive, and supportable as requested by the 10 State Task Force of State Attorneys General on Green Marketing?

Answer. Our objective in this area is to maximize the benefits to the environment, not only in the short run but also well into the future. Thus we will be closely analyzing the approaches that the National Food Processors Association and the State Attorneys General are recommending. Others, like the State of California which has passed State legislation regulating environmental claims, and the Northeast Recycling Coalition which has recommended guidelines for some environmental claims, have still different approaches for addressing environmental claims. Considerations in reaching our objective will include the potential for deception, perceptions that consumers have of different claims, minimizing interference in the marketplace, and encouraging product innovation to improve environmental quality. We are taking an objective look at all of these approaches to see which ones best meet the Nation's environmental objectives.

COASTAL DEPOSITION

Question. What is the status of the study requested by Senator Lautenburg in the Senate report accompanying the fiscal year 1990 Appropriations bill concerning atmospheric deposition in coastal waters?

Answer. The report to Congress entitled "Plan to Research Atmospheric Deposition in Coastal Waters" was reviewed twice by OMB last year. OMB final comments were submitted to EPA on March 7, 1991. EPA's Office of Research and Development (ORD) will have a revised report completed for final OMB approval this spring.

SUPERFUND RESOURCES

Question. Will the Administration's Superfund budget result in sufficient funding to commence all of the remedial action projects that are ready to be funded through fiscal year 1992? If not, please indicate what increase above the President's budget request would be necessary to fund all the remedial action projects ready to be funded in fiscal year 1992 (including projects not expected to be funded in fiscal year 1991).

Answer. The fiscal year 1992 President's Budget directs $585 million for fund financed remedial action projects. This amount and the corresponding support activities were based on a methodology that identified sites ready for design in fiscal year 1990 or fiscal year 1991 and, therefore, expected to enter construction during fiscal year 1992. The methodology also takes into consideration the Agency's extensive enforcement efforts aimed toward having potentially responsible parties finance these activities. In a more recent review of this methodology, we continue to believe the $535 million (and support funds) will be sufficient to begin those projects meeting the requirements for funding through fiscal year 1992. Our methodology does not include two areas which funding has been reserved: ongoing/phased funding, and quick action projects. Approximately $100 to $150 million in the remedial action budget has been set aside to cover ongoing (long-term response) and phased funding for larger dollar projects. On the other hand, several small, quick action projects (less than $1 million) which cannot be identified may receive funding during the fiscal year.

Question. Please indicate how many sites (including sites not expected to be funded in fiscal year 1991) will be ready for remedial action funding in fiscal year 1992 but will not receive funding if Congress appropriates the full amount requested by the Administration.

Answer. If the Agency receives its full Superfund and Remedial Action (RA) request for fiscal year 1992, the Agency should be able to fund all projected RA starts in fiscal year 1992.

Question. Please indicate all the specific sites by State that will be ready for remedial action funding in fiscal year 1991 and fiscal year 1992. Please indicate, if available, which such sites are likely to be funded if the President's budget request is fully appropriated, and which such sites are less likely to be funded?

Answer. We believe 38 projects will be ready for remedial action funding in fiscal year 1992. The President's budget level will allow all of these projects are expected to receive funding in fiscal year 1992. The following sites (identified by State) are expected to be ready and receive funding in fiscal year 1991 and fiscal year 1992.

Fiscal Years 1991 and 1992

Region	State	Site Name
1991		
1	MA	New Bedford Harbor
2	NJ	Higgins Farms
	NJ	Waldick Aerospace
	NJ	Metaltec
	NJ	D'Imperio
1	NY	Mattiace Chemical
	NY	Marathon Battery
	NY	American Thermostat
	NY	Love Canal
3	PA	Welsh Landfill
	PA	Butz Landfill
	PA	C&R Battery
	PA	Douglasville
	PA	Drake Chemical
	VA	Avtex Fibers
4	FL	American Creosote
5	IL	SE Rockford
	IL	Bryon Salvage
	MI	U.S. Aviex
	MI	Ott-Story
	MI	Forest Waste
	MN	Long Prairie
6	LA	Bayou Bonfouca

Fiscal Years 1991 and 1992—Continued

Region	State	Site Name
	TX	Sol Lynn Industries
	TX	North Cavalcade
7	KS	Arkansas City Dumb
8	CO	Smuggler Mountain
9	CA	San Gabriel
1992		
1	NH	Ottatti & Goss
2	NJ	Lang
	NJ	DeReiv&I
	NJ	Vine land Chemical
	NJ	Lipari
	NY	Kentucky Avenue
	NY	Vestal Water Supply
	NY	SMS Instruments
	NY	Sarney Farm
	NY	American Thermostat
	NY	C&J Disposal
	NY	Haviland Complex
	NY	Preferred Plating
3	DE	Delaware Sand
	MD	Southern Maryland Wood
	PA	Douglasville
	PA	MW Manufacturing
	PA	Cryo-Chem
4	FL	Coleman Evans
	NC	Cape Fear
	NC	By-Pass 601
5	IN	Tri-State Plating
	MI	Forest Waste
	MI	Ott/Story
	MI	Oconowomoc
	MN	St. Louis River
6	TX	North Cavalcade
	Tx	United Creosoting
7	KS	Cherokee County
	NE	Hastings Groundwater
	MO	Kern-Pest
8	CO	Sand Creek
9	CA	Atlas Asbestos
	CA	Selma Treating
	CA	Purity Oil
10	WA	Frontier Hard Chrome
	WA	Northwest Transformer

Question. What is the status of implementation of all cleanup schedule targets in SARA section 116? If any of the schedules still have not been complied with, please indicate the shortfall in compliance and the reason for noncompliance.

Answer. The Agency met SARA section 116(a)(1) on January 1, 1988. This section mandated that EPA complete preliminary assessments (PAs) at all facilities contained in the CERCLA Information System. The Agency is still working to meet section 116(a) (2) which is to complete site inspections (SIs) at all preSARA sites contained in the CERCLA Information System. The deadline was January 1, 1989. To meet the deadline, the Agency tripled the number of SIs performed historically by the Agency. The SI workload increased from 1,200 SIs/year to 4,000 SIs/per year. The promulgation of the National Contingency Plan (NCP) in March 1990 and the completion of the Hazard Ranking System (HRS) in December 1990 will improve the quality of the remaining pre-SARA SIs to be completed. The Regions are still working towards meeting this goal and estimate the backlog will be eliminated by December 1991.

Question. Please explain why the EPA budget justification assumes a decrease in site inspections and preliminary assessments in fiscal year 1992?

1. How does the Agency reconcile such decreases with the following statement from the 1986 SARA Conference report:

> "Based on information supplied by the Administrator of the Environmental Protection Agency, it is expected that the President will have added, or propose to add, between 1,600 and 2,000 sites to the National Priorities List. To the maximum extent practicable, the President should undertake CERCLIS evaluations at an annual rate to achieve this goal by 1988." SARA Conference Report page 229.

Answer. The EPA budget justification has identified a total of 1,575 preliminary assessments (Pas) and 1,690 site inspections (Sis) to be conducted in fiscal year 1992. In addition, we determined that 600 PAs and 600 SIs will be conducted as part of our environmental priorities initiative to focus these assessments on RCRA corrective action sites. This represents an increase of 75 PAs and 200 SIs over the number to be performed at RCRA facilities in fiscal year 1991. Overall, the Agency has increased its PAs (#70) and (#174) SIs over the fiscal year 1991 Current Estimate.

Question. Has the Agency conducted evaluations at an annual rate sufficient to achieve the Administrator's expectation noted in the Conference Report? What is the projected annual rate of evaluations as well as additions to the NPL? If this rate is below the Administrator's projection reflected in the Conference Report please indicate why?

Answer. The total number of PAs/SIs identified in the fiscal year 1992 President's Budget is consistent with the 1986 SARA Conference Report. However, the National Priorities List (NPL) is not the final destination of these assessments; many of these early investigations result in recommendations for no further action and many require immediate removal actions be conducted. Either of these actions will affect the number of sites proposed for the NPL.

Question. What is the rationale for the projected decrease in the budget justification for 106 Civil Actions? In responding to this question, please indicate specifically what such actions are comprised of.

Answer. fiscal year 1992 Unilateral Orders were not counted because including them in the count of Referrals was resulting in an over count of Referrals. The congressional total shows 86 section 106 actions in fiscal year 1991 and 1955 such actions in fiscal year 1992. The fiscal year 1991 number is a reflection of the following estimates:

Section 106 Consent Decrees	45
Section 106 Litigative Referrals	5
Subtotal	50
Unilateral Orders in Compliance	36
Congressional Total	86

The fiscal year 1992 estimates are as follows:

Section 106 Consent Decrees	50
Section 106 Litigative Referrals	5
Congressional Total	55
Estimate of UAO's not shown	38

Thus, although there appears to be a significant decrease, there is a projected increase of five referrals to DOJ.

(Note. Increasing numbers of UAO's are ultimately becoming Consent Decrees. As this happens, there is a danger of double counting actions if we had continued to count the UAO's beyond fiscal year 1991)

Question. What was the EPA request to OMB for Superfund by function? Please compare this by function to the President's budget request.

Answer. The Administration has proposed in the 1992 Budget Appendix a revised structure for the Superfund account (dollars in millions):

	Request to OMB	President's Budget
Remedial Action—Fund	$496.8	$585.2
Other Cleanup	317.3	310.8
Enforcement	217.5	225.0
Management & Support	122.7	112.0

	Request to OMB	President's Budget
Response Support	595.7	517.0
Total	$1,750.0	$1,750.0

EPA's request to OMB by function is:

	Request to OMB	President's Budget
Research & Development	$69.9	$66.5
Enforcement	183.0	190.5
Management & Support	1,372.3	1,376.7
Total	$1,750.0	$1.750.0

Question. What was ATSDR's request to OMB for its programs? Please compare this to the President's request for ATSDR. Also please indicate modifications, if any, that EPA made to ATSDR's request prior to OMB's review.

Answer. The Agency's fiscal year 1992 request to OMB for the ATSDR was $44,500,000.

The fiscal year 1992 President's Budget for ATSDR is also $44,500,000. Prior to making final fiscal year 1992 budget decisions within the ATSDR requested EPA support a fiscal year 1992 budget level of $64,000,000.

Question. Why doesn't the President's Superfund request use any of the authorized general revenues? Can the full amount authorized through the tax extension for Superfund through fiscal year 1995 be achieved without use of general revenues? Does allocation of authorized general revenues as part of a given overall request for Superfund have any different or greater effect on the Federal deficit than allocation of the same total sum without a general revenues component?

Answer. In fiscal year 1991, EPA received the full general revenue share authorized in SARA. The fiscal year 1992 President's Budget for Superfund is $1.75 billion and does not request any resources from general revenues. We believe that in fiscal year 1992 the Superfund program can be supported through a combination of taxes, cost recovery, and interest.

The full $5.1 billion reauthorization can be achieved without the use of general revenues based on existing resources in the fund and estimated future tax receipts, cost recoveries, and interest.

No, the use of general revenues will not have an effect on the Federal deficit.

Question. Please provide a pie chart, if possible, showing what percentage of the total Superfund request was allocated or will be allocated to specific Superfund functions (i.e. remedial actions, enforcement, etc.) for each fiscal year since the beginning of the programmed on a projected basis for fiscal year 1992.

Answer. We are providing you with 12 pie charts which illustrate the allocation of Superfund appropriations by function.

Superfund Budget Distribution

(as noted by the following pie charts)

Fiscal year	Obligations in thousands
1981	$40,284
1982	180,744
1983	230,234
1984	465,619
1985	483,116
1986	406,287
1987	1,050,748
1988	1,497,370
1989	1,543,664
1990	1,602,845

Superfund Budget Distribution—Continued

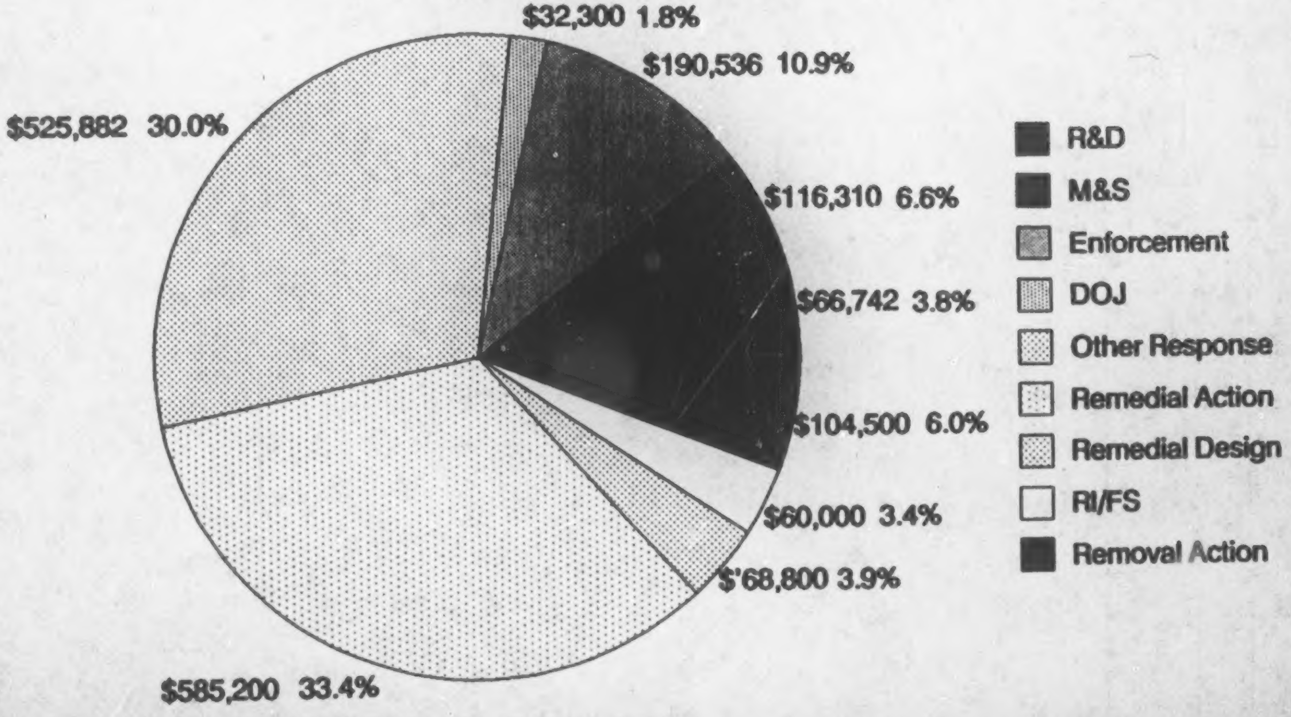
(as noted by the following pie charts)

Fiscal year	Obligations in thousands
1991	1,616,228
1992	1,750,000

SUPERFUND BUDGET DISTRIBUTION

1992 - Projected

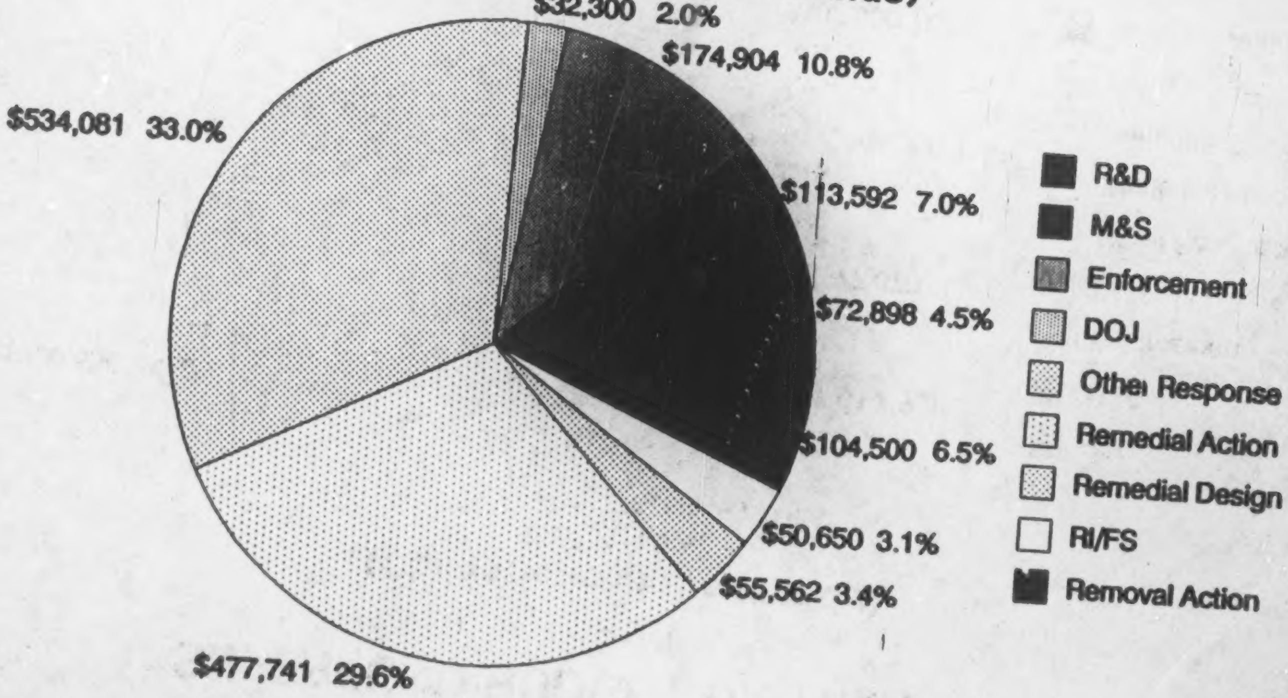
(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION

1991 - Projected

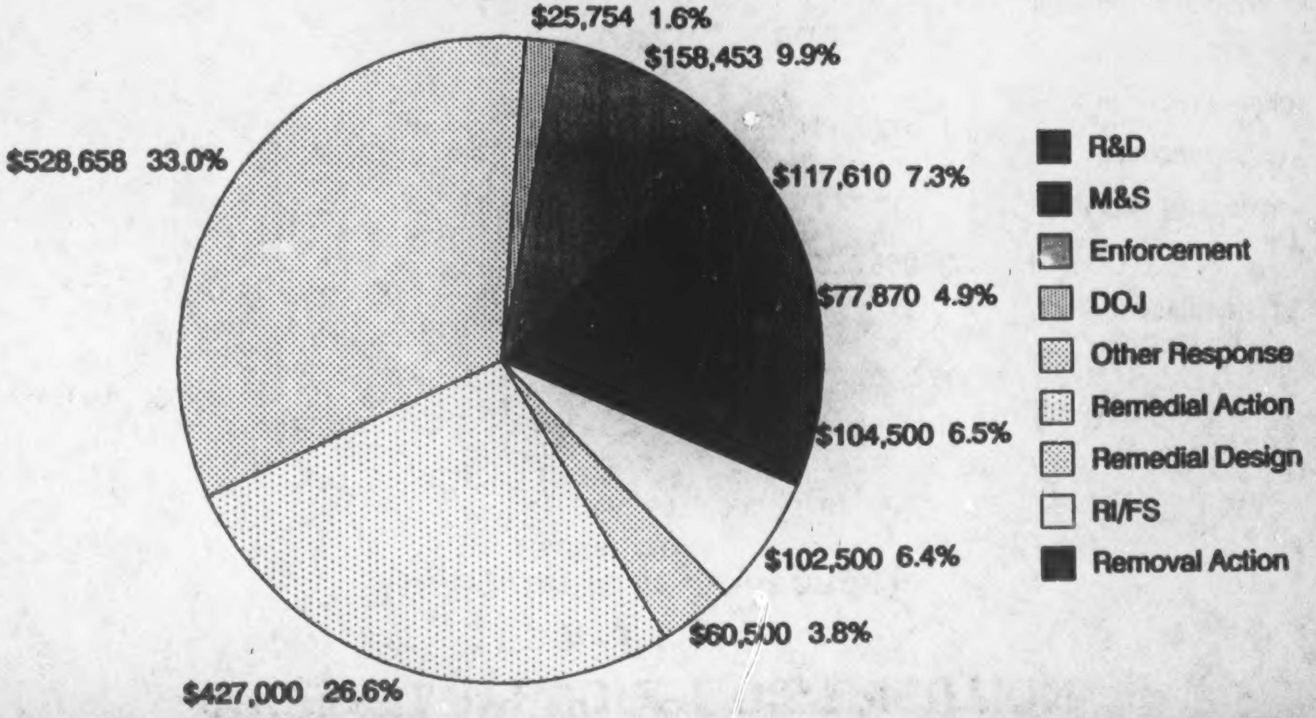
(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION

1990

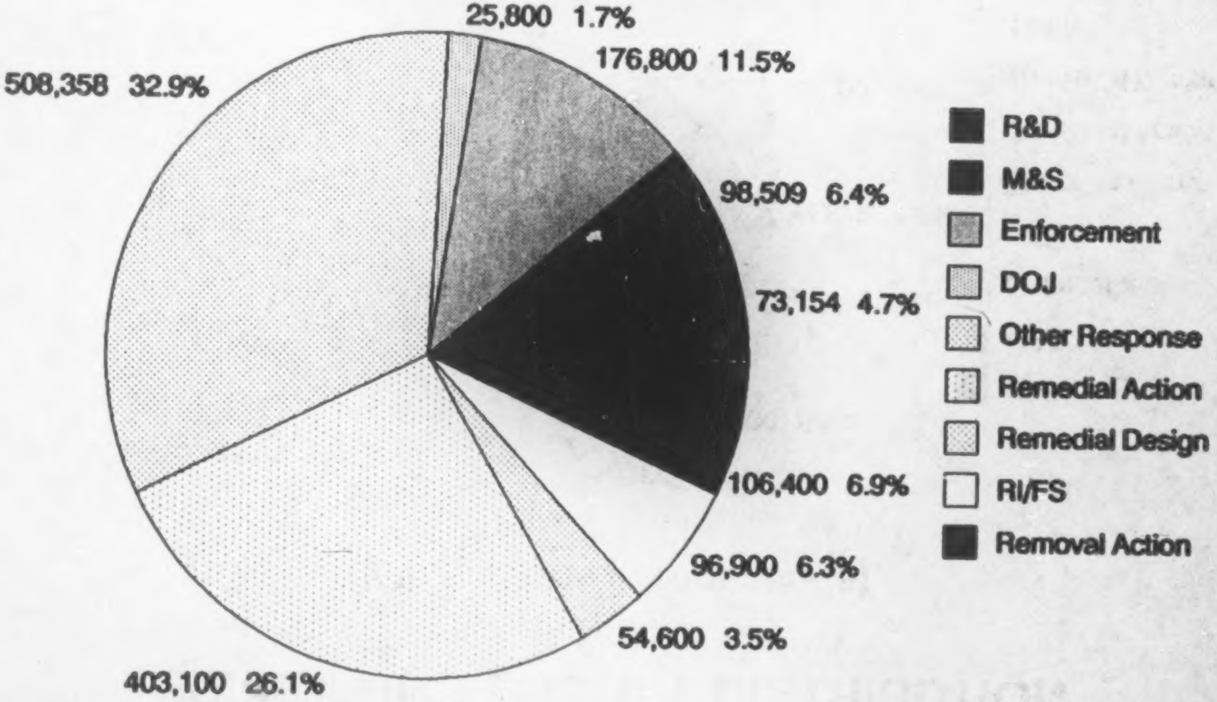
(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION

1989

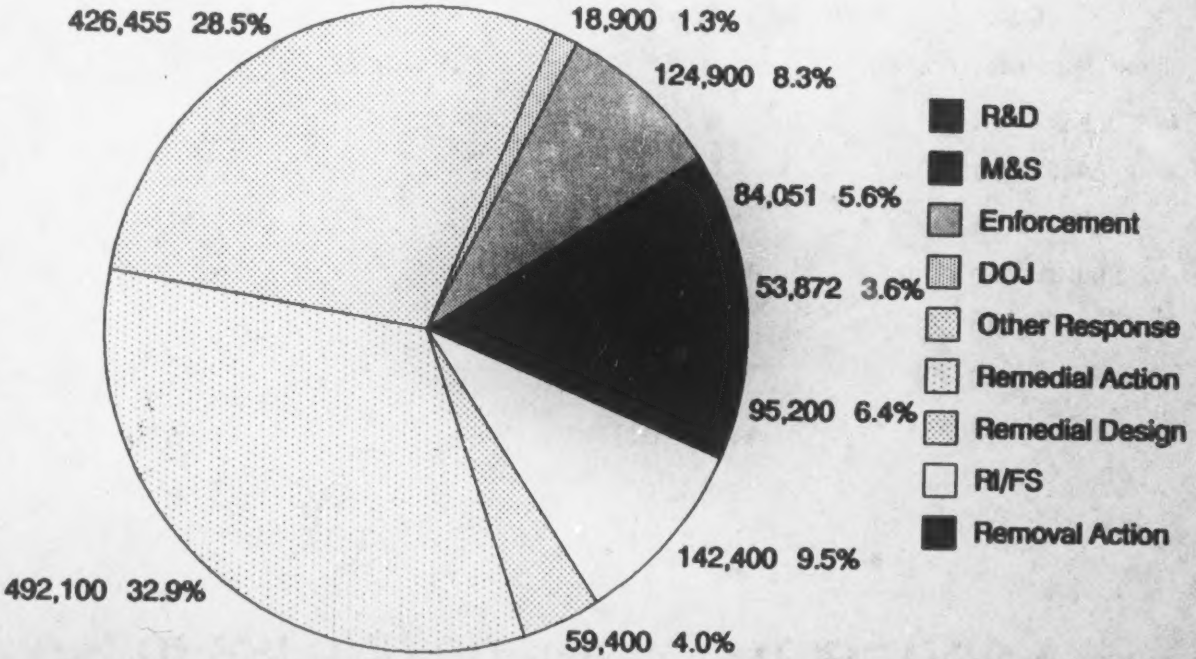
(Obligations in thousands)



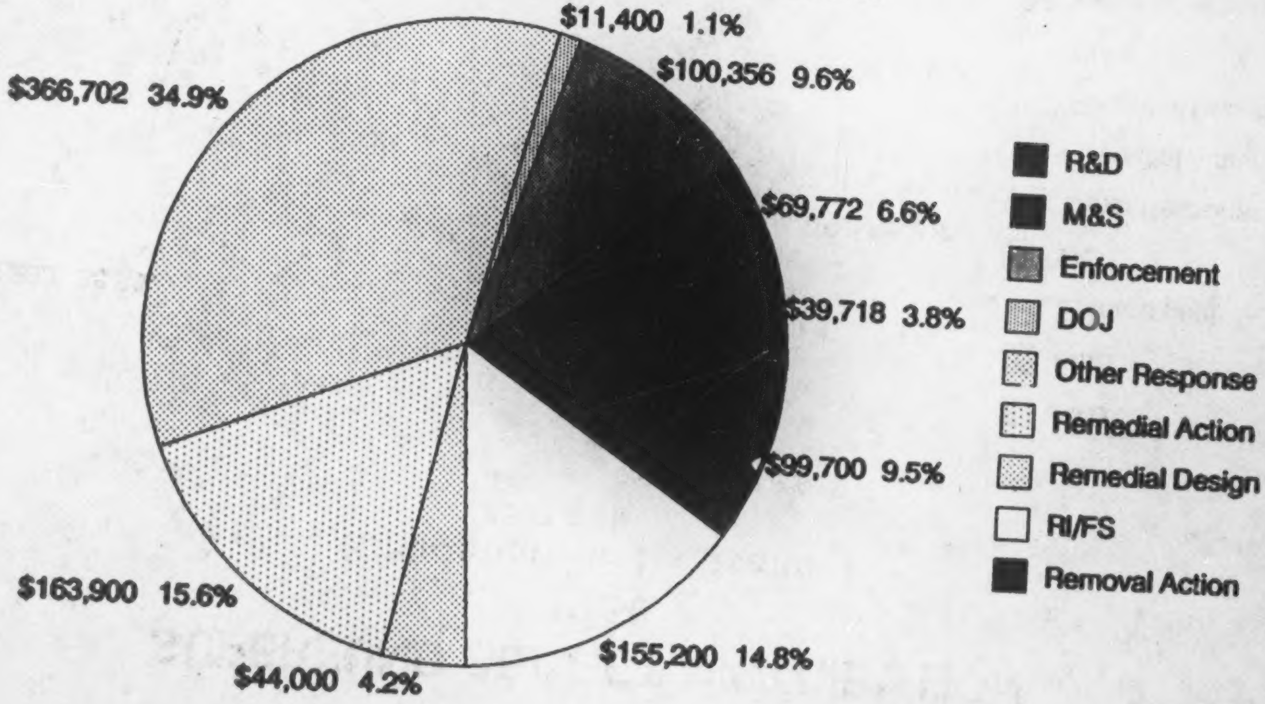
SUPERFUND BUDGET DISTRIBUTION

1988

(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION
1987
(Obligations in thousands)



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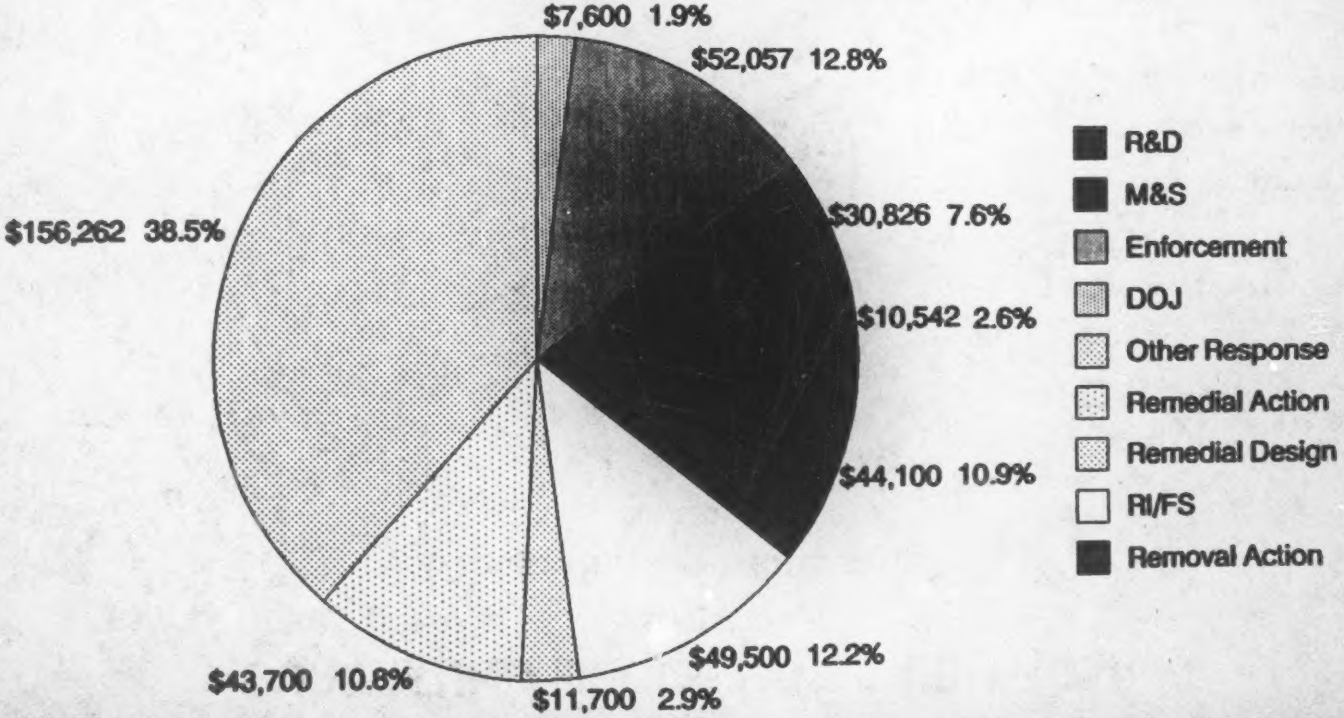
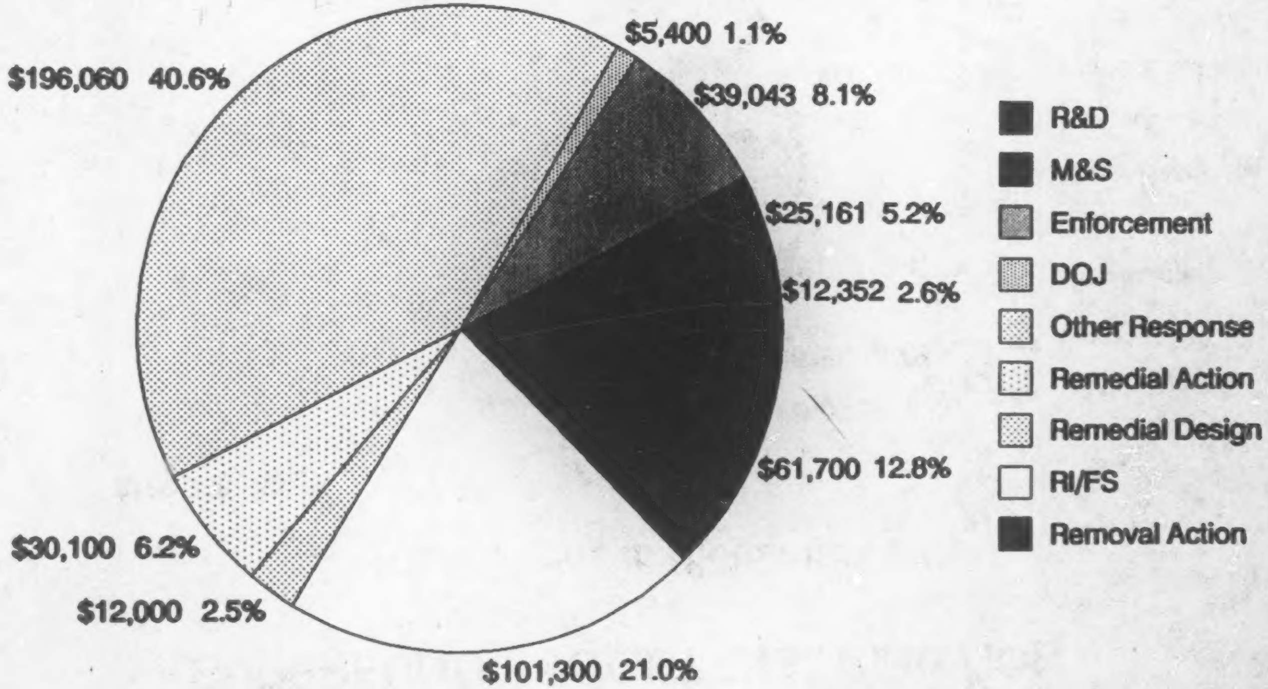
1986
(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION

1985

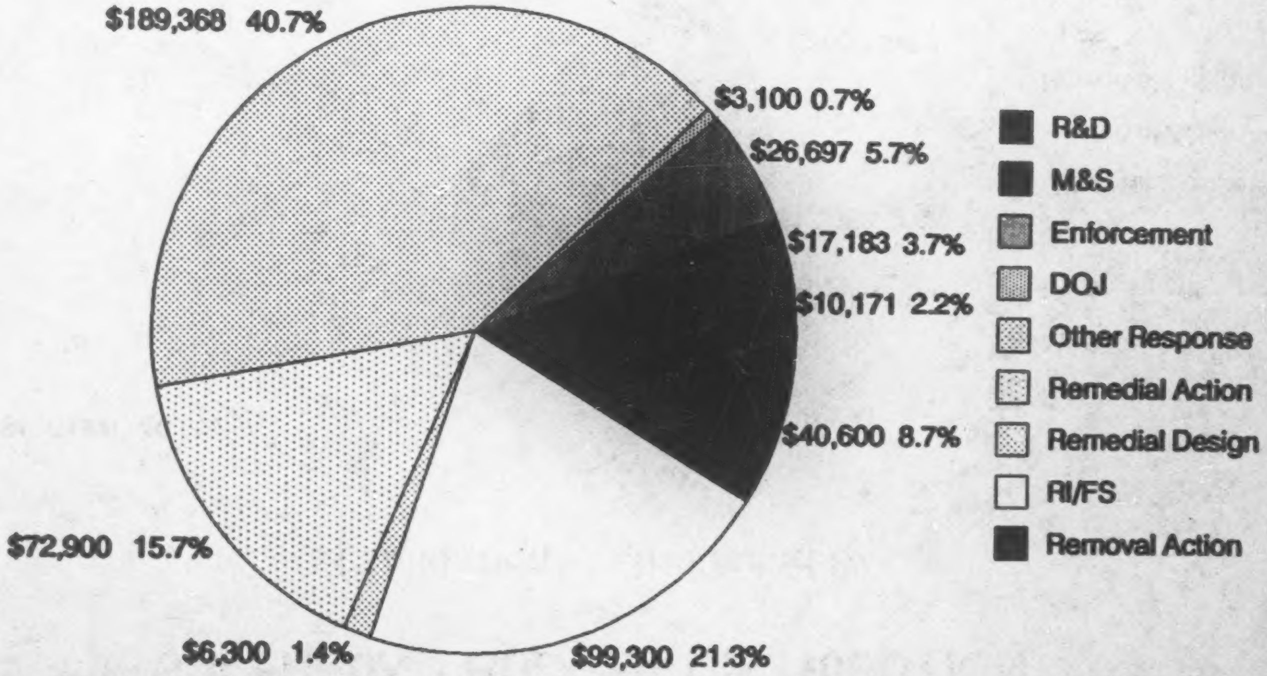
(Obligations in thousands)



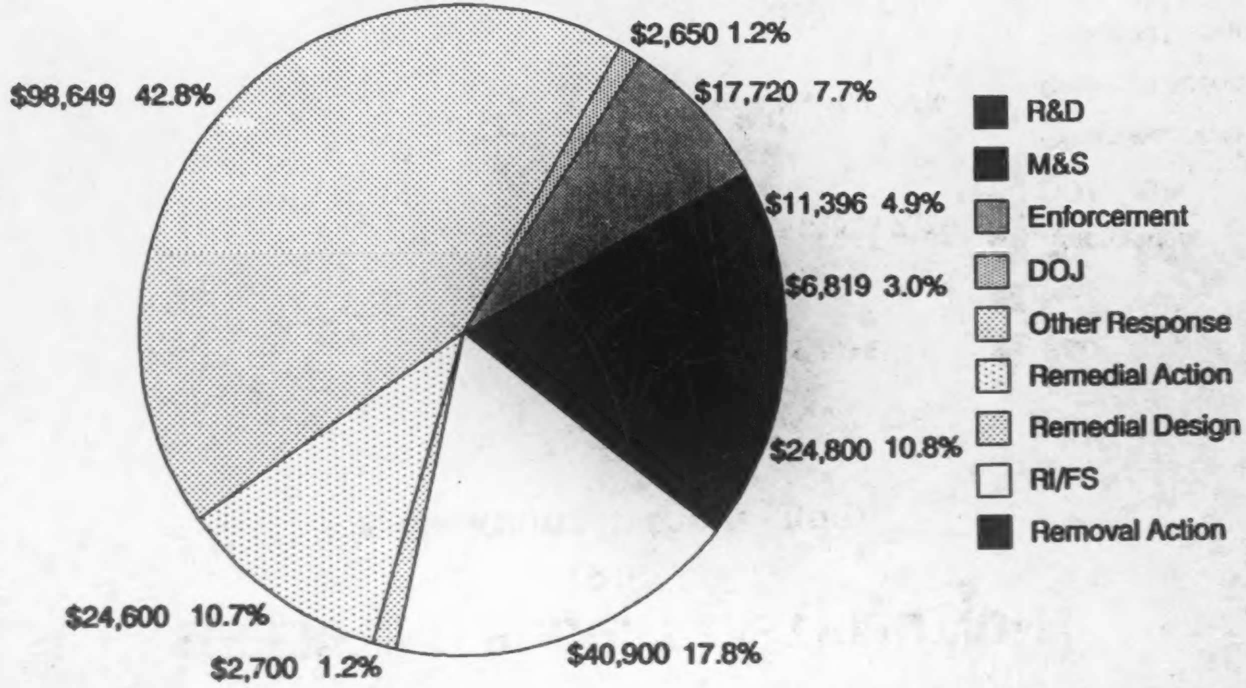
SUPERFUND BUDGET DISTRIBUTION

1984

(Obligations in thousands)



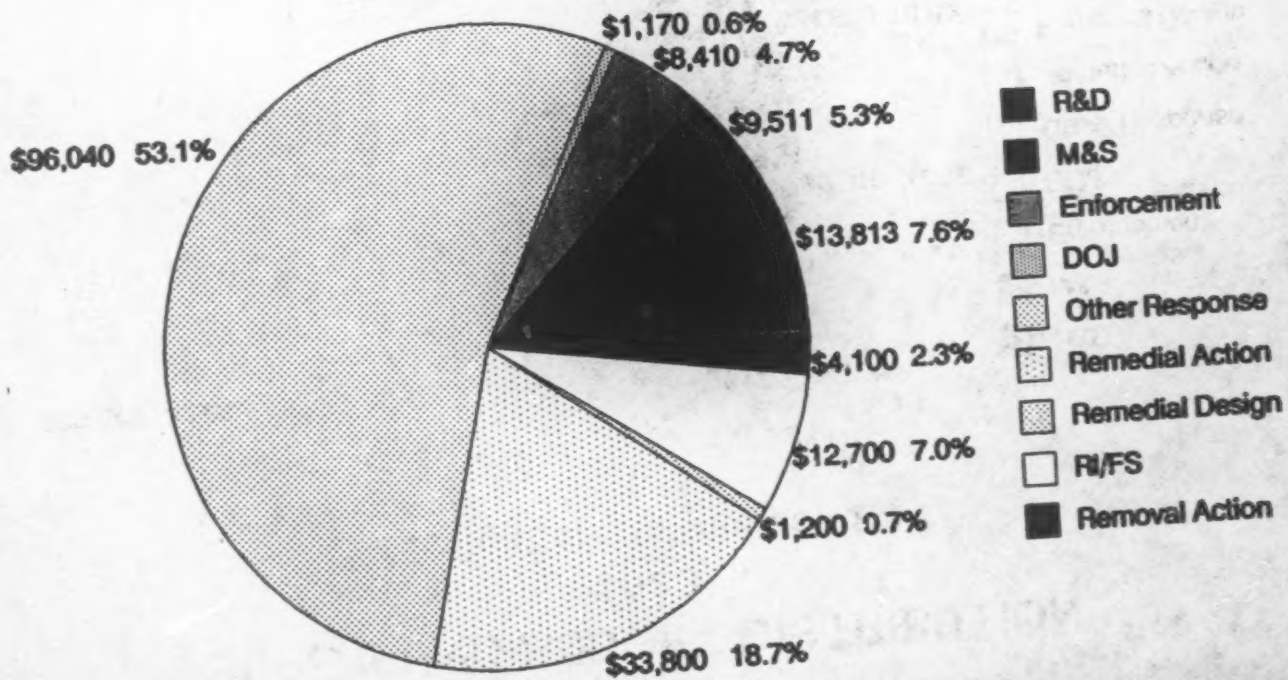
SUPERFUND BUDGET DISTRIBUTION
1983
(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION

1982

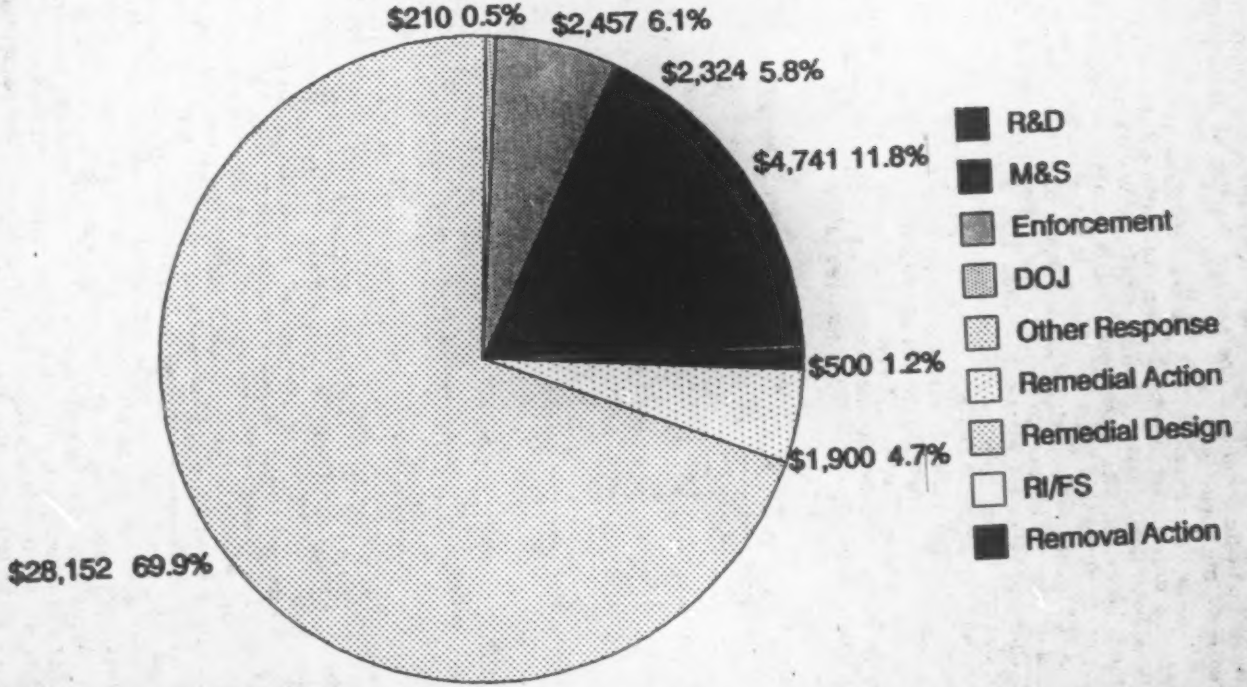
(Obligations in thousands)



SUPERFUND BUDGET DISTRIBUTION

1981

(Obligations In thousands)



Question. Please assess whether it is advisable and/or possible to shift more funds into actual remedial and removal funding by decreasing funding for other Superfund functions.

Answer. The President's fiscal year 1992 request reflects a substantial shift in funding towards actual site cleanup work with a $143 million (#19%) increase over fiscal year 1991 in site cleanup activities. We do not recommend any additional funds be moved into actual remedial or removal categories by decreasing funding for other Superfund functions. Many of the activities included in the other categories (i.e. remedial support, response support and removal support) support the remedial or removal budgets to complete the actions necessary for cleanup.

Question. Please indicate, if possible, what the yield has been since the beginning of the program of such enforcement related activities as settlements (i.e., the dollar value of settlements) and cost recovery. In doing so, please indicate, if possible, how much of the enforcement expenditure for each fiscal year is attributable to the yield in such a year from enforcement activities?

Answer. The following tables indicate value of cost recovery settlements and value of response settlements (in millions of dollars) achieved through enforcement efforts from fiscal year 1982 to fiscal year 1990:

Value of Cost Recovery Settlements

FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90
$2.7	$4.4	$5.0	$22.5	$02.9	$26.6	$127.5	$119.7	$86.7

Value of Response Settlements

FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90
$22.8	$108.2	$185.4	$152.1	$139	$290.1	$512.1	$1,020	$1,361.5

The time from initiation of a cost recovery action to the time of settlement varies greatly due to the nature of the negotiation/litigation process and the Potentially Responsible Parties (PRP's) involved. Most cost recovery actions are not completed within the same fiscal year that they start. Similarly, the time between settlement and collection varies due to payment schedules developed to accommodate PRP viability. Because of this, it is not possible to draw a one-to-one correlation between dollars expended and response/cost recovery settlement amounts.

Question. Please indicate for each fiscal year since the beginning of Superfund (including available projections for fiscal year 1991 and fiscal year 1992), how many and which States have received remedial funding (i.e. funding for all remedial stages), how much funding each such State received each year, how such States ranked by such funding in each such year, what the total national remedial funding was for each such year, what percentage each State received of the total for each such year. Please also indicate the total amount received for each such States over the life of the program, how such States rank in such receipts, the total remedial funding allocated over the life of the program, and the percentage each such State received of the total over the life of the program.

Answer. We are providing you with the following pages that address the above questions (all dollars are in obligations in thousands). Attachment I indicates how many and which States have received remedial funding, how much funding each State received per fiscal year, and the National total for each fiscal year. Attachment II indicates how each State ranked by funding per fiscal year. Attachment III indicates what percentage of the National total each State received per fiscal Attachment IV indicates what each State has received in fiscal year 1991 to date.

Financial information on remedial funding was not included for fiscal year 1981 and fiscal year 1982 since it is only available by region and cannot be identified by State. Projections for fiscal year 1992 financial information by State is not available.

Attachment I.—Remedial Dollars by State by Fiscal Years

(Dollars in thousands)

State	1983	1984	1985	1986	1987	1988	1989	1990	Total
Alaska			$0.2	$36.5	$2.1	$9.2	$2.4	$512.7	$563.1
Alabama			1,147.2	936.1	459.0	681.8	1,477.4	643.5	5,345.0
Arkansas	521.0	2,395.0	1,687.0	202.7	1,095.5	3,997.4	3,720.0	15,423.1	29,041.7
Arizona	958.5	4,172.6	819.8	1,026.0	3,629.1	2,909.5	3,193.1	4,854.9	21,562.5
California	3,815.7	34,385.6	21,925.4	10,232.8	51,564.6	43,107.9	36,348.8	29,230.1	230,610.9
Colorado	1,390.0	2,040.4	2,874.5	3,436.1	11,152.3	41,039.1	42,046.5	43,410.3	147,389.2
Connecticut	401.8	994.0	271.7	285.8	493.4	1,929.3	860.6	3,065.4	8,302.0
Delaware	845.0	1,553.6	993.4	243.9	885.4	6,624.8	2,793.0	1,883.3	15,822.4
Florida	1,019.6	4,592.2	3,311.4	1,230.3	3,647.1	24,243.5	10,839.6	24,013.1	72,896.8
Georgia			534.6	369.4	193.2	317.7	174.3	178.5	1,767.7
Guam			50.0	22.5	275.8	10.9	0.3		359.5
Hawaii			56.5	19.6	0.4	0.1	0.1	0.1	76.8
Iowa	310.0	1,026.0	330.9	8,659.4	1,430.6	816.8	1,583.9	2,282.7	16,440.3
Idaho			703.3	610.2	1,448.9	2,372.9	3,127.1	316.1	8,578.5
Illinois	1,457.5	3,955.6	2,181.3	597.3	29.0	2,569.1	30,713.2	5,816.7	47,319.7
Indiana	449.5	3,168.0	4,017.9	4,658.9	4,848.7	7,051.2	6,078.0	8,878.7	39,150.9
Kansas		350.0	1,668.0	435.9	1,248.5	2,134.9	7,815.4	1,239.2	14,891.9
Kentucky	548.0	1,545.0	598.5	427.1	1,076.4	4,333.5	3,501.2	2,010.2	14,039.9
Louisiana	1,289.1	1,363.0	1,004.6	4,255.0	1,518.2	10,018.2	10,931.1	6,361.0	36,739.2
Massachusetts	3,890.7	15,353.0	2,888.9	7,415.2	37,334.7	30,020.7	20,294.2	101,245.3	218,442.7
Maryland	1,030.0	481.0	1,585.4	971.9	637.4	8,386.7	3,973.8	1,558.5	18,624.7
Maine	523.0	567.0	989.1	16.7	1,285.4	2,282.0	1,277.5	6,478.4	13,419.1
Michigan	2,025.3	8,440.0	9,141.6	5,488.0	13,038.9	33,093.7	30,244.9	11,582.1	113,054.5
Michigan	2,025.3	8,440.0	9,141.6	5,488.0	13,038.9	33,093.7	30,244.9	11,582.1	113,054.5
Minnesota	3,832.7	1,967.6	4,101.2	481.6	6,580.2	9,926.5	3,517.8	13,164.2	43,571.8
Missouri	1,030.8	2,611.3	2,551.2	1,189.1	4,805.6	8,769.3	5,603.7	3,025.5	29,586.5
Mississippi			350.3	805.4	26.9	497.1	209.2	308.4	2,197.3
Montana	4,679.1	850.6	2,543.7	789.0	3,972.6	7,127.4	4,470.8	3,688.9	25,122.1
North Carolina	259.3		213.0	25.4	1,164.7	2,611.4	6,083.4	4,711.6	15,068.8
North Dakota		32.0	82.6	26.7	330.4	238.4	7,702.6	162.8	8,575.5
Nebraska			1,009.2	612.9	1,713.4	1,703.8	2,536.0	3,087.4	10,662.7
New Hampshire	5,400.7	2,296.1	3,471.5	2,005.0	3,332.0	4,043.0	4,863.4	10,012.8	35,424.5
New Jersey	10,357.5	33,434.3	23,461.0	20,873.0	61,303.3	126,636.8	120,863.8	126,474.6	523,404.3
New Mexico	230.0	1,225.0	1,877.8	1,325.2	931.7	575.8	1,588.3	2,096.2	9,850.0

Attachment I.—Remedial Dollars by State by Fiscal Years—Continued

(Dollars in thousands)

State	1983	1984	1985	1986	1987	1988	1989	1990	Total
New York	5,257.7	9,846.4	14,969.0	8,602.2	38,882.7	29,964.1	34,855.0	43,162.5	185,539.6
Nevada			40.2	1.5	7.9	7.9	0.5	760.6	818.6
Ohio	980.7	4,410.0	3,766.3	3,342.9	12,627.7	18,459.0	6,259.1	9,593.5	59,438.2
Oklahoma		5,239.2	1,011.0	1,185.6	1,475.0	1,532.9	1,734.9	2,943.2	15,121.8
Oregon		139.0	89.7	103.8	1,981.2	1,313.1	3,348.5	946.2	7,921.5
Pennsylvania	9,734.3	11,083.2	7,946.3	2,214.4	43,850.9	50,950.6	69,952.0	42,176.6	237,908.3
Puerto Rico	50.0	1,190.0	359.1	27.5	160.6	353.9	585.6	369.4	3,095.1
Rhode Island		989.0	1,519.9	1,326.6	4,921.0	7,470.6	3,631.1	2,876.0	22,734.2
South Carolina	299.0	1,074.0	1,648.0	662.7	885.9	3,724.8	6,083.4	4,161.4	18,539.2
South Dakota				7.4	0.9	4.4	53.7	165.0	231.4
Tennessee	150.0	643.4	102.3	360.9	341.2	889.4	5,158.0	1,254.7	8,899.9
Texas	1,698.8	8,345.9	4,929.5	8,985.3	4,700.8	38,351.8	46,970.9	19,764.2	133,747.2
Utah	19.1		1,139.7	40.6	786.4	788.7	1,361.8	3,731.8	7,869.1
Virginia	470.0	1,811.6	1,148.4	451.4	827.9	1,271.3	6,992.2	5,892.5	18,865.3
Virginia Islands					6.0	1.6	25.5	13.0	46.1
Vermont		360.0	115.0	245.0	945.5	686.7	1,467.9	2,604.5	6,424.6
Washington	3,337.5	3,995.2	2,288.7	3,842.5	3,843.3	3,843.3	8,221.9	12,092.3	41,464.7
Wisconsin		300.0	2,102.3	2,343.8	7,181.1	4,188.2	2,738.8	3,950.3	22,804.5
West Virginia	80.0	510.0	816.8	208.4	677.9	2,602.3	11,203.7	4,176.0	20,275.1
Wyoming			10.0	68.2	88.2	9.4	115.8	196.0	487.6
National total	$65,340.9	$178,735.8	$142,442.9	$113,731.3	$345,646.5	$556,494.4	$589,194.7	$598,546.0	$2,590,132.5

Attachment II.—State Ranks of Remedial Dollars by Fiscal Year

State	1983	1984	1985	1986	1987	1988	1989	1990	Total
Alabama			26	23	40	41	39	42	43
Alaska			51	44	51	49	50	43	48
Arizona	19	11	33	21	18	25	31	20	22
Arkansas	23	16	20	40	29	22	26	9	18
California	7	1	2	2	2	3	5	6	3
Colorado	13	18	13	11	8	4	4	3	6

Connecticut	26	28	41	36	39	32	43	28	39
Delaware	20	21	31	38	34	18	33	36	28
Florida	17	9	11	18	17	9	12	7	9
Georgia			37	34	44	45	46	48	46
Guam			48	48	43	47	52		51
Hawaii			47	49	53	53	53	52	52
Idaho			35	28	24	29	32	45	37
Illinois	12	13	17	29	47	28	7	19	11
Indiana	25	14	8	8	12	17	20	15	14
Iowa	27	27	40	4	25	38	38	33	27
Kansas		36	21	32	27	31	14	29	31
Kentucky	21	22	36	33	30	19	29	35	32
Louisiana	14	23	30	9	22	11	11	17	15
Maine	22	32	32	50	26	30	42	16	33
Maryland	16	34	23	22	38	14	25	37	26
Massachusetts	5	3	12	6	5	7	9	2	4
Michigan	9	6	4	7	6	6	8	12	8
Minnesota	6	19	7	30	10	12	28	10	12
Mississippi			39	24	48	43	45	46	45
Missouri	15	15	14	19	13	13	21	29	17
Montana	11	30	15	25	15	16	24	26	19
Nebraska			29	27	21	33	35	27	34
Nevada			49	52	49	50	51	41	47
New Hampshire	3	17	10	15	19	21	23	13	16
New Jersey	1	2	1	1	1	1	1	1	1
New Mexico	30	24	19	17	32	42	37	34	35
New York	4	5	3	5	4	8	6	4	5
North Carolina	29		42	47	28	26	19	21	29
North Dakota		39	46	46	42	46	15	50	38
Ohio	18	10	9	12	7	10	17	14	10
Oklahoma		8	28	20	23	34	36	30	30
Oregon		38	45	41	20	35	30	40	41
Pennsylvania	2	4	5	14	3	2	2	5	2
Puerto Rico	33	25	38	45	45	44	44	44	44
Rhode Island		29	24	16	11	15	27	31	21
South Carolina	28	26	22	26	33	24	18	23	25
South Dakota				51	52	51	48	49	50
Tennessee	31	31	44	35	41	37	22	38	36
Texas	10	7	6	3	14	5	3	8	7
Utah	34		27	43	36	39	41	25	40

Attachment II.—State Ranks of Remedial Dollars by Fiscal Year—Continued

State	1983	1984	1985	1986	1987	1988	1989	1990	Total
Vermont		35	43	37	31	40	40	32	42
Virgin Islands					50	52	49	51	53
Virginia	24	20	25	31	35	36	16	18	24
Washington	8	12	16	10	16	23	13	11	13
West Virginia	32	33	34	39	37	27	10	22	23
Wisconsin		37	18	13	9	20	34	24	20
Wyoming			50	42	46	48	47	47	49

Attachment III.—Percent of Remedial Dollars by State by Fiscal Year

State	1983	1984	1985	1985	1987	1988	1989	1990	Overall percent
Alaska	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Alabama	0.0%	0.0%	0.8%	0.8%	0.1%	0.1%	0.3%	0.1%	0.2%
Arkansas	0.8%	1.3%	1.2%	0.2%	0.3%	0.7%	0.6%	2.6%	1.1%
Arizona	1.5%	2.3%	0.6%	0.9%	1.0%	0.5%	0.5%	0.8%	0.8%
California	5.8%	19.2%	15.4%	9.0%	14.9%	7.7%	6.2%	4.9%	8.9%
Colorado	2.1%	1.1%	2.0%	3.0%	3.2%	7.4%	7.1%	7.3%	5.7%
Connecticut	0.6%	0.6%	0.2%	0.3%	0.1%	0.3%	0.1%	0.5%	0.3%
Delaware	1.3%	0.9%	0.7%	0.2%	0.3%	1.2%	0.5%	0.3%	0.6%
Florida	1.6%	2.6%	2.3%	1.1%	1.1%	4.4%	1.8%	4.0%	2.8%
Georgia	0.0%	0.0%	0.4%	0.3%	0.1%	0.1%	0.0%	0.0%	0.1%
Guam	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Hawaii	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Iowa	0.5%	0.6%	0.2%	7.6%	0.4%	0.1%	0.3%	0.4%	0.6%
Idaho	0.0%	0.0%	0.5%	0.5%	0.4%	0.4%	0.5%	0.1%	0.3%
Illinois	2.2%	2.2%	1.5%	0.5%	0.0%	0.5%	5.2%	1.0%	1.8%
Indiana	0.7%	1.8%	2.8%	4.1%	1.4%	1.3%	1.0%	1.5%	1.5%
Kansas	0.0%	0.2%	1.2%	0.4%	0.4%	0.4%	1.3%	0.2%	0.6%
Kentucky	0.8%	0.9%	0.4%	0.4%	0.3%	0.8%	0.6%	0.3%	0.5%
Louisiana	2.0%	0.8%	0.7%	3.7%	0.4%	1.8%	1.9%	1.1%	1.4%
Massachusetts	6.0%	8.6%	2.0%	6.5%	10.8%	5.4%	3.4%	16.9%	8.4%
Maryland	1.6%	0.3%	1.1%	0.9%	0.2%	1.5%	0.7%	0.3%	0.7%

Maine	0.8%	0.3%	0.7%	0.0%	0.4%	0.4%	0.2%	1.1%	0.5%
Michigan	3.1%	4.7%	6.4%	4.8%	3.8%	5.9%	5.1%	1.9%	4.4%
Minnesota	5.9%	1.1%	2.9%	0.4%	1.9%	1.8%	0.6%	2.2%	1.7%
Missouri	1.6%	1.5%	1.8%	1.0%	1.4%	1.6%	1.0%	0.5%	1.1%
Mississippi	0.0%	0.0%	0.2%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1
Montana	2.6%	0.5%	1.8%	0.7%	1.1%	1.3%	0.8%	0.6%	1.0%
North Carolina	0.4%	0.0%	0.1%	0.0%	0.3%	0.5%	1.0%	0.8%	0.6%
North Dakota	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	1.3%	0.0%	0.3%
Nebraska	0.0%	0.0%	0.7%	0.5%	0.5%	0.3%	0.4%	0.5%	0.4%
New Hampshire	8.3%	1.3%	2.4%	1.8%	1.0%	0.7%	0.8%	1.7%	1.4%
New Jersey	15.9%	18.7%	16.5%	18.4%	17.7%	22.8%	20.5%	21.1%	20.2%
New Mexico	0.4%	0.7%	1.3%	1.2%	0.3%	0.1%	0.3%	0.4%	0.4%
New York	8.0%	5.5%	10.5%	7.6%	11.2%	5.4%	5.9%	7.2%	7.2%
Nevada	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Ohio	1.5%	2.5%	2.6%	2.9%	3.7%	3.3%	1.1%	1.6%	2.3%
Oklahoma	0.0%	2.9%	0.7%	1.0%	0.4%	0.3%	0.3%	0.5%	0.6%
Oregon	0.0%	0.1%	0.1%	0.1%	0.6%	0.2%	0.6%	0.2%	0.3%
Pennsylvania	14.9%	6.2%	5.6%	1.9%	12.7%	9.2%	11.9%	7.0%	9.2%
Puerto Rico	0.1%	0.7%	0.3%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
Rhode Island	0.0%	0.6%	1.1%	1.2%	1.4%	1.3%	0.6%	0.5%	0.9%
South Carolina	0.5%	0.6%	1.2%	0.6%	0.3%	0.7%	1.0%	0.7%	0.7%
South Dakota	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tennessee	0.2%	0.4%	0.1%	0.3%	0.1%	0.2%	0.9%	0.2%	0.3%
Texas	2.6%	4.7%	3.5%	7.9%	1.4%	6.9%	8.0%	3.3%	5.2%
Utah	0.0%	0.0%	0.8%	0.0%	0.2%	0.1%	0.2%	0.6%	0.3%
Virginia	0.7%	1.0%	0.8%	0.4%	0.2%	0.2%	1.2%	1.0%	0.7%
Virgin Islands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vermont	0.0%	0.2%	0.1%	0.2%	0.3%	0.1%	0.2%	0.4%	0.2%
Washington	5.1%	2.2%	1.6%	3.4%	1.1%	0.7%	1.4%	2.0%	1.6%
Wisconsin	0.0%	0.2%	1.5%	2.1%	2.1%	0.8%	0.5%	0.7%	0.9%
West Virginia	0.1%	0.3%	0.6%	0.2%	0.2%	0.5%	1.9%	0.7%	0.8%
Wyoming	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%

Attachment IV.—Actual Remedial Dollars by State for Fiscal Year 1991

(Dollars in thousands)

State	Received as of 3/15/91	Percent	Rank
Alabama	$214.6	0.2%	34
Alaska	7.0	0.0%	48
Arizona	559.1	0.5%	19
Arkansas	282.1	0.3%	27
California	3,012.9	2.9%	6
Colorado	1,547.2	1.5%	10
Connecticut	138.2	0.1%	39
Delaware	247.0	0.2%	28
Florida	541.3	0.5%	20
Georgia	75.1	0.1%	42
Guam	100.3	0.1%	40
Hawaii		0.0%	53
Idaho	221.2	0.2%	32
Illinois	874.5	0.8%	14
Indiana	300.1	0.3%	25
Iowa	685.2	0.7%	17
Kansas	436.8	0.4%	21
Kentucky	198.4	0.2%	35
Louisiana	61,982.4	59.4%	1
Maine	237.9	0.2%	30
Maryland	25.7	0.0%	46
Massachusetts	864.5	0.8%	15
Michigan	955.0	0.9%	11
Minnesota	358.0	0.3%	24
Mississippi	3.9	0.0%	52
Missouri	74.5	0.1%	43
Montana	596.7	0.6%	18
Nebraska	916.5	0.9%	12
Nevada	13.0	0.0%	47
New Hampshire	2,658.6	2.5%	7
New Jersey	7,172.7	6.9%	2
New Mexico	299.3	0.3%	26
New York	3,160.8	3.0%	5
North Carolina	860.4	0.8%	16
North Dakota	6.2	0.0%	50
Ohio	3,825.1	03.7%	3
Oklahoma	877.9	0.8%	13
Oregon	227.9	0.2%	31
Pennsylvania	3,520.3	3.4%	4
Puerto Rico	36.7	0.0%	45
Rhode Island	169.2	0.2%	36
South Carolina	65.9	0.1%	44
South Dakota	159.6	0.2%	38
Tennessee	409.9	0.4%	22
Texas	2,285.5	2.2%	8
Utah	399.5	0.4%	23
Vermont	217.2	0.2%	33
Virgin Islands	4.0	0.0%	51
Virginia	161.1	0.2%	37
Washington	2,095.6	02.0%	9
West Virginia	6.3	0.0%	49
Wisconsin	238.1	0.2%	29
Wyoming	82.9	0.1%	41
Total	$104,409.8		

Question. In actual dollars received (i.e, actually in the treasury), please indicate by fiscal year since the inception of Superfund, how much funds have been cost recovered or are projected to be recovered through fiscal year 1992?

ANSWER. The following table indicates the actual amounts collected (in millions of dollars) through cost recovery efforts from fiscal year 1982 to fiscal year 1990 and projected recoveries for fiscal year 1991 and fiscal year 1992.

FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92
$2.3	$.4	$3.4	$8.0	$15.7	$18.9	$55.6	$66.5	$104.9	$135.0	$200.0

QUESTION. By the conclusion of the SARA authorization, what percentage of all deadlines (either mandatory or goals) had EPA complied with? (Indicate also the raw numbers of such deadlines and of those complied with). For each deadline not complied with, please provide an explanation.

ANSWER. In the Superfund Annual Report to Congress (SARC), the Agency includes a section on progress toward meeting Superfund-related statutory requirements. The fiscal year 1989 Annual Report was the first to contain this information and we will update this data in the fiscal year 1990 Annual Report. The fiscal year 1990 SARC is due for completion in July 1991 and we will provide you with a copy of it at that time.

QUESTION. What percentage of the milestones of the Management Review have been complied with? (Indicate also the raw number of such milestones as well as those milestones complied with). For any milestone missed, or projected to be missed in fiscal year 1991 or fiscal year 1992, please provide an explanation.

ANSWER. The Agency has recently conducted an end-of-year analysis on the Superfund Management Review (SMR) for fiscal year 1990. The analysis shows that of the 120 workplans published in "A Management Review of the Superfund Program—Implementation Plan" 102 have been completed (85%). The following is a status of outstanding projects as of March 25, 1991.

Progress has been made on the development of methods for identifying and documenting expenses to support cost recovery efforts. The Cost Recovery Rule is expected to be proposed in April 1991.

The cost recovery goals project to establish and set realistic goals for the cost recovery program in succeeding years will be issued by the end of the third quarter, fiscal year 1991.

Training materials for case/site management planning are due for completion in June 1991. The development of the case/site management planning process will include provisions for coordination among different offices and organizations involved in the enforcement process. Case/site management planning will be incorporated into the Superfund Academy curriculum and other training materials.

The Alternative Dispute Resolution (ADR) strategy is not complete. The ADR leverages a real threat of litigation against report on the ADR strategy is scheduled for the end of fiscal year 1991.

Guidance on the Five-Year Review of sites is on schedule for completion in the second quarter of fiscal year 1991. The goal of the five-year review of sites is to assure the public that EPA is carefully monitoring sites and that no site, where hazardous substances remain, will be deleted from the NPL until there is no danger to public health from the remaining hazardous substances.

The issuance of the revised Hazard Ranking System in late 1990 has expanded the criteria for the listing of a site on the NPL. Training and application of an expert system in fiscal year 1990 will help provide a common bases for listing sites.

The SMR highlighted the proposed Environmental Testing and Evaluation Center (E-TEC) as an important component to help in demonstrating and evaluating new technologies. As & fixed, fully permitted facility, which has its own pollution control equipment, the E-TEC would be able to provide for fast and completed testing of innovative technologies. The planning, which began well before fiscal year 1990, was continued this year as EPA issued the environmental impact statement, moved to complete the design of the facility, and pursued permits. Unfortunately, it was not possible to initiate construction as projected in the SMR due to issues regarding funding and public support.

The schedule for implementing the final technical assistance grant (TAG) rule was changed from September 30, 1990 to September 30, 1991. This additional year provides the Agency with an opportunity to gain experience under the new revisions before becoming bound to the final rule.

The recommendation for developing additional procedures for detecting/avoiding conflict of interests (COI) has a protracted milestone schedule due to lengthy regulatory change process. An extended comment period on the proposed rule, the receipt of numerous, extensive comments on the rule have all added to the delay. The Agency is working to resolve all of the above issues and the final rule on addition COI procedures is projected for April 1991.

Three SMR recommendations to be completed in the area of communicating progress to the public are yet to be completed. They are the issuance of a National communications strategy, publication of a guide to Superfund for journalists, and the convening of a workshop of outside experts to gather new methods of publication and communication.

FEDERAL FACILITIES

QUESTION. How Many Federal facilities does EPA classify as being in significant noncompliance with RCRA. Please identify each such facility by State, with a brief description of the compliance problems.

ANSWER. In fiscal year 1990, EPA and authorized States inspected 329 of the 348 Federal treatment storage, or disposal facilities (TSD's). As a result of these inspections, 184 facilities were found to have Class 1 violations which is the measure used by the Federal Facility program to identify facilities which are in significant noncompliance with RCRA. This resulted in a 44 percent compliance rate. By comparison, at 4801 non-Federal TSD's, the compliance rate was 55 percent. While detailed site-specific information on the nature of violations is not available from Agency databases, the frequency with which general categories of violations occurs is available. The attached table describes the frequency of Class I violations at both private and Federal facilities.

QUESTION. Based on the most recent inspections (please identify the year in question) please indicate what percentage of inspected facilities that had RCRA violations. Please compare this percentage for that year to that for private facilities. Also provide the raw numbers of facilities inspected and facilities having violations by State. Provide all such percentages and numbers for the previous five years, as well as such State-by-State information.

ANSWER. The compliance statistics requested as well as the State-by-State analysis is attached.

QUESTION. Please indicate for each Federal Facility in New Jersey the status of compliance with RCRA or comparable State and local laws and regulations?

ANSWER. The RCRA compliance profile for all Federal Facilities which were inspected in fiscal year 1990 is attached. EPA does not have additional information on compliance with State and local laws or regulations.

RESPONSES TO QUESTIONS FROM SENATOR REID

LEAD STRATEGY—ADEQUATE RESOURCES

QUESTION. On February 21, 1991, EPA released its strategy "to address the significant health and environmental problems our society is facing as a result of lead pollution," and you [Administrator Reilly] testified before my Toxic Substances Subcommittee on the Agency's plans to combat "one of the Nation's most toxic multimedia contaminants." The EPA Lead Strategy lays out what you termed "a solid, ambitious, and comprehensive plan" that combines abatement programs (to address lead-based paint, urban soil and dust, and Superfund sites), regulatory and pollution prevention programs (to address lead in drinking water, ambient air, waste, commercial products, sludge and pesticides), research and enforcement.

The Strategy cautions, however, that several parts of the strategy will require coordination with other agencies and that regulations will require "full compliance with the Agency's rulemaking requirements." Of course we all know that this may well mean further battles with OMB about the seriousness of the lead poisoning problem and the need for specific regulations.

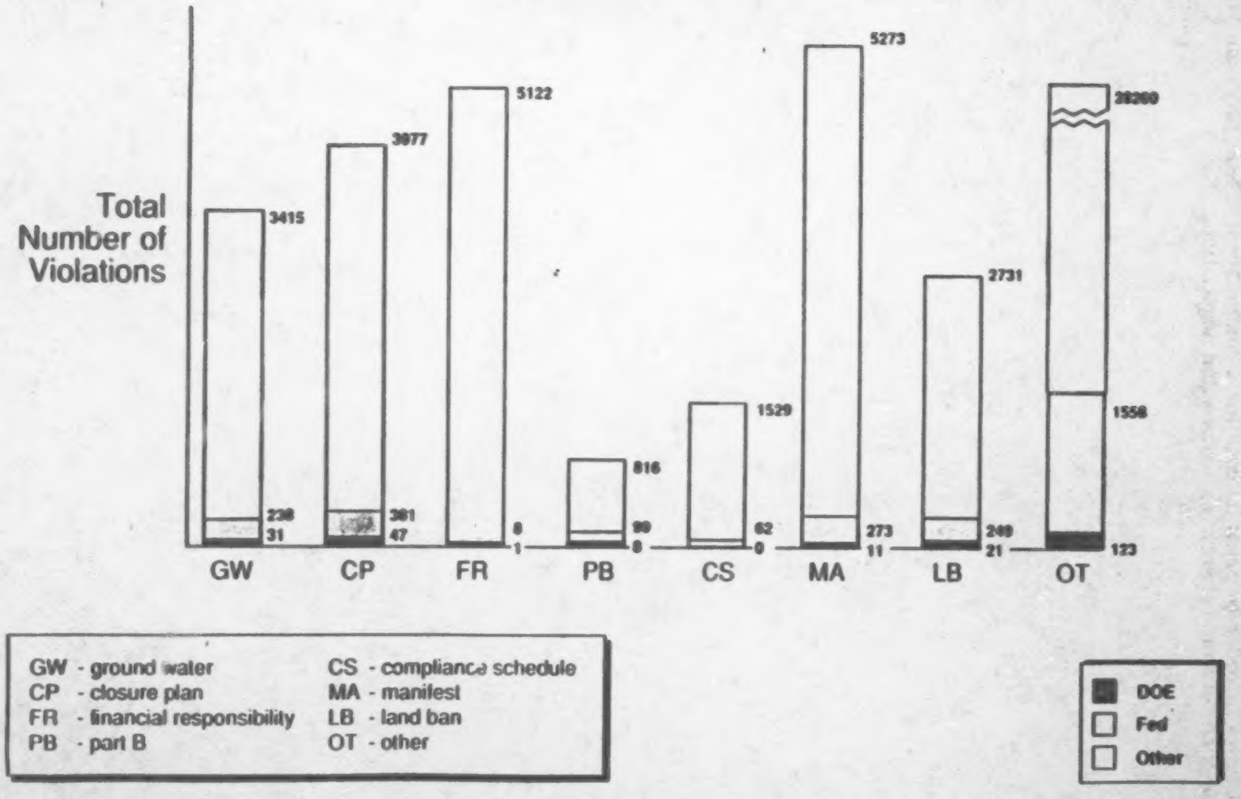
What resources does EPA expect to request during the next four fiscal years for this effort? Will these be adequate to continue these activities?

ANSWER. The Agency's planning for its lead program is not yet definitive enough to identify precise resource requests for the 1993–1996 timeframe. Whatever requests the Agency does make in succeeding years, however, will be designed to support adequately the specific activities the Agency proposes to undertake within the overall lead strategy.

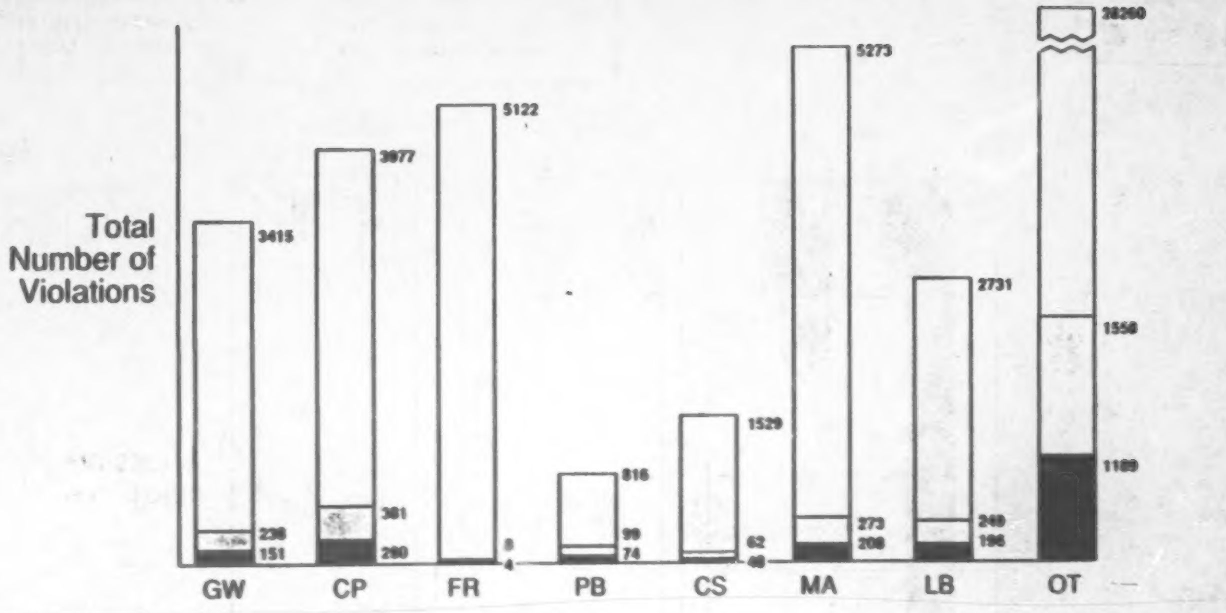
QUESTION. Will OMB give the Agency the funding and the regulatory tools it needs to do its share of the lead cleanup and prevention job?

ANSWER. The Agency will engage OMB in discussion and negotiation at appropriate times in order to press its case for a comprehensive lead program. We cannot predict the outcome of such discussions and negotiations.

RCRA Class I Violation Types
(since 10/1/82)



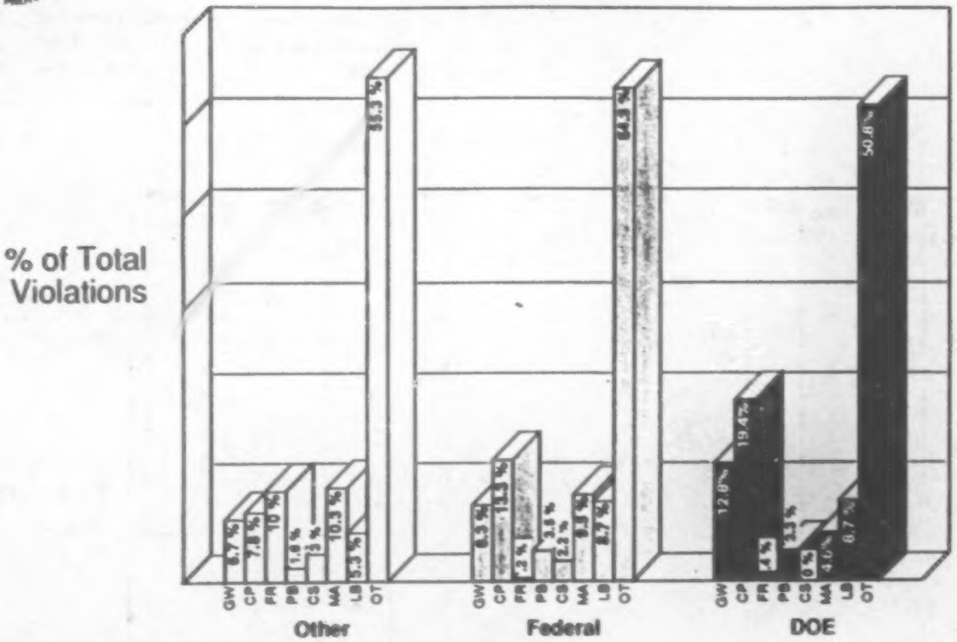
RCRA Class I Violation Types
(since 10/1/82)



GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

■ DOD
□ Fed
□ Other

RCRA Class I Violation Types as a Percentage of Total Class I Violations
(since 10/1/82)



GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

OE/OFFE
RCRA DATA BY HANDLER TYPE
20-Mar-91
9:00 AM

		TSD	Generator	Transporter	Other	Total
FY88	Total Universe					
	Total Inspections	3,818	10,418	278	943	15 457
	Total Violations (Class I only)	1,654	2,534	64	186	4 438
	Fed Fac Universe					
	Fed Fac Inspections	325	150	2	12	489
	Fed Fac Violations (Class I only)	205	40	1	2	248
	% Universe					
	% Inspections	9%	1%	1%	1%	3%
	% Violations (Class I only)	12%	2%	2%	1%	6%
	Total Compl. Rate	57%	76%	77%	80%	71%
	Fed Fac Compl. Rate	37%	73%	50%	83%	49%
FY89	Total Universe					
	Total Inspections	3,833	9,463	254	862	14,412
	Total Violations (Class I only)	1,705	2,868	59	170	4 802
	Fed Fac Universe					
	Fed Fac Inspections	317	119	1	15	452
	Fed Fac Violations (Class I only)	193	43	0	0	236
	% Universe					
	% Inspections	8%	1%	0.4%	2%	3%
	% Violations	11%	1%	0%	0.0%	5%
	Total Compl. Rate	56%	70%	77%	80%	67%
	Fed Fac Compl. Rate	39%	64%	100%	100%	48%
FY90	Total Universe	5,149	282,995	10,645	37,009	335,798
	Total Inspections	3,674	9,397	224	942	14 237
	Total Violations (Class I only)	1,662	2,715	64	177	4 618
	Fed Fac Universe	348	4,610	55	281	5,294
	Fed Fac Inspections	329	202	2	17	550
	Fed Fac Violations (Class I only)	184	49	1	1	235
	% Universe	7%	2%	1%	1%	2%
	% Inspections	9%	2%	1%	2%	4%
	% Violations (Class I only)	11%	2%	2%	1%	5%
	Total Compl. Rate	55%	71%	71%	81%	68%
	Fed Fac Compl. Rate	44%	78%	50%	94%	57%

OE/OFFE
RCRA DATA BY HANDLER TYPE
25-Mar-91
10:06 AM

		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	Total Universe					
	Total Inspections	3,646	9,834	487	1,097	15,064
	Total Violations (Class I only)	1,700	2,644	95	291	4,730
	Fed Fac Universe					
	Fed Fac Inspections	322	132	2	12	468
	Fed Fac Violations (Class I only)	165	46	1	2	214
	% Universe					
	% Inspections	9%	1%	0%	1%	3%
	% Violations (Class I only)	10%	2%	1%	1%	5%
	Total Compl. Rate	53'.	73%	80%	73%	69%
	Fed Fac Compl. Rate	49%	68%	50%	83%	54%
[redacted]	Total Universe					
	Total Inspections	3,700	10,824	418	948	15,888
	Total Violations (Class I only)	1,589	2,697	78	236	4,598
	Fed Fac Universe					
	Fed Fac Inspections	321	131	1	7	460
	Fed Fac Violations (Class I only)	175	22	1	1	199
	% Universe					
	% Inspections	9%	1%	0.2%	1%	3%
	% Violations (Class I only)	11%	1%	1%	0.4%	4%
	Total Compl. Rate	57%	79%	82%	75%	71%
	Fed Fac Compl. Rate	48%	83%	0%	86%	57%

Number of FY90
Federal Facility Inspections and Violations by State/Territory

		Class I Violations								Violations Total
	Inspections	GW	CP	FR	PB	CS	MA	LB	OT	
Region 1										
CT	5		1				3	2	3	9
MA	5								1	1
ME	7		1						3	4
NH	2						1		1	2
RI	1								1	1
Subtotal	20	0	2	0	0	0	4	2	9	17
Region 2		GW	CP	FR	PB	CS	MA	LB	OT	
NJ	48					5	3		6	14
NY	95						1		8	9
PR	9								1	1
VI	1									0
Subtotal	153	0	0	0	0	5	4	0	15	24
Region 3		GW	CP	FR	PB	CS	MA	LB	OT	
DC	30						6	7	11	24
DE	4									0
MD	31							3	3	6
PA	24		1						3	4
VA	50	3	11		1		2	5	13	35
WV	3									0
Subtotal	142	3	12	0	1	0	8	15	30	69
Region 4		GW	CP	FR	PB	CS	MA	LB	OT	
AL	25	2			1		1	5	12	21
FL	68	1			3		1	1	12	18
GA	26	2	2					2	10	16
KY	31	1	1		1	1	1		3	8
NC	30									0
SC	58	1	4		1	0	6	9	18	39
TN	52								4	4
Subtotal	[illegible]	7	7	0	6	1	9	17	59	106
Region 5		GW	CP	FR	PB	CS	MA	LB	OT	
IL	21		1	1				2	8	12
IN	21						1	3	4	8
MI	31						3	1	10	14
MN	14						1		3	4

GW - ground water	CS - compliance schedule
CP - closure plan	MA - manifest
FR - financial responsibility	LB - land ban
PB - part B	OT - other

OH	32	1	2				1	1	11	16
WI	7								1	1
Subtotal	125	1	3	1	0	0	6	7	37	55
Region 6		GW	CP	FR	PB	CS	MA	LB	OT	
AR	6						1	2	3	6
LA	12	1	1				1		5	8
NM	22	3			1	1	2	4	7	18
OK	10		1				1		2	4
TX	48	4				1	1	2	14	22
Subtotal	98	8	2	0	1	2	6	8	31	58
Region 7		GW	CP	FR	PB	CS	MA	LB	OT	
IA	3									0
KS	13						1	2	3	6
MO	14								3	3
NE	2								1	1
Subtotal	32	0	0	0	0	0	1	2	7	10
Region 8		GW	CP	FR	PB	CS	MA	LB	OT	
CO	38	2					1		3	6
MT	21						1	1	1	3
ND	5									0
SD	6								2	2
UT	9				1		1	1	2	5
WY	5								1	1
Subtotal	84	2	0	0	1	0	3	2	9	17
Region 9		GW	CP	FR	PB	CS	MA	LB	OT	
AZ	14								11	11
CA	52		1		1		4	13	31	50
GU	15				1		4	5	7	17
HI	7						2	4	5	11
NV	4									0
TT	2									0
Subtotal	94	0	1	0	2	0	10	22	54	89
Region 10		GW	CP	FR	PB	CS	MA	LB	OT	
AK	12	1	2			1		1	4	9
ID	20									0
OR	1							1		1
WA	15						2	1	10	13
Subtotal	48	1	2	0	0	1	2	3	14	23
Grand Total	1087	22	29	1	11	8	53	78	266	468

GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

Number of FY89
Federal Facility Inspections and Violations by State/Territory

		Class I Violations								Violations Total
	Inspections	GW	CP	FR	PB	CS	MA	LB	OT	
Region 1										
CT	4									0
MA	4									0
ME	3								1	1
NH										0
RI	3								2	2
Subtotal	14	0	0	0	0	0	0	0	3	3
Region 2		GW	CP	FR	PB	CS	MA	LB	OT	
NJ	23						2	2	7	11
NY	29						2	1	6	9
PR	11								1	1
VI										0
Subtotal	63	0	0	0	0	0	4	3	14	21
Region 3		GW	CP	FR	PB	CS	MA	LB	OT	
DC	19									0
DE	3	1	1							2
MD	60							1	10	11
PA	29	1			1		1	3	4	10
VA	41		5				3	1	10	19
WV	7									0
Subtotal	159	2	6	0	1	0	4	5	24	42
Region 4		GW	CP	FR	PB	CS	MA	LB	OT	
AL	26	1					4	7	7	19
FL	83	1			4		2	4	20	31
GA	38	2				1		2	2	7
KY	37					1	1	2	2	6
NC	30	1	1		1			5	4	12
SC	24		2					3	10	15
TN	55							1	6	7
Subtotal	293	5	3	0	5	2	7	24	51	97
Region 5		GW	CP	FR	PB	CS	MA	LB	OT	
IL	13		1				1	3	4	9
IN	7	1						2	3	6
MI	7							1	4	5
MN	8							1	2	3

GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

OH	37	1	2				4	7	10	24
WI	9						1	1	2	4
Subtotal	81	2	3	0	5	6	8	15	25	51
Region 6		GW	CP	FR	PB	CS	MA	LB	OT	
AR	8								2	2
LA	14								2	2
NM	27	3	3				2		5	13
OK	30		1				1		6	8
TX	59	2	3			1	4	2	20	32
Subtotal	138	5	7	0	0	1	7	2	35	57
Region 7		GW	CP	FR	PB	CS	MA	LB	OT	
IA	6								1	1
KS	19	1	1	1			1	1	3	8
MO	11	1							1	2
NE	3				1	1			1	3
Subtotal	39	2	1	1	1	1	1	1	6	14
Region 8		GW	CP	FR	PB	CS	MA	LB	OT	
CO	25	3	1					1	4	9
MT	17									0
ND	5									0
SD	3								1	1
UT	10				1		3		5	9
WY	7							1	1	2
Subtotal	67	3	1	0	1	0	3	2	11	21
Region 9		GW	CP	FR	PB	CS	MA	LB	OT	
AZ	12						1	6	10	17
CA	44	1	5		1		6	17	28	58
GU	12						2	3	9	14
HI	10								8	8
NV	8							1	3	4
TT										0
Subtotal	86	1	5	0	1	0	9	27	58	101
Region 10		GW	CP	FR	PB	CS	MA	LB	OT	
AK	17	1	1		1	1	4	7	12	27
ID	47								3	3
OR	2						1	1	2	4
WA	15						2	1	5	8
Subtotal	81	1	1	0	1	1	7	9	22	42
Grand Total	1021	21	27	1	10	5	48	88	249	449

GW - ground water	CS - compliance schedule
CP - closure plan	MA - manifest
FR - financial responsibility	LB - land ban
PB - part B	OT - other

Number of FY88
Federal Facility Inspections and Violations by State/Territory

		Class I Violations								Violations Total
	Inspections	GW	CP	FR	PB	CS	MA	LB	OT	
Region 1										
CT	3		1					2	2	5
MA	13						3	1	4	8
ME	6							1	2	3
NH	2									0
RI	4									0
Subtotal	28	0	1	0	0	0	3	4	8	16
Region 2		GW	CP	FR	PB	CS	MA	LB	OT	
NJ	21					1	1	1	6	9
NY	23						2		4	6
PR	17		1							1
VI										0
Subtotal	61	0	1	0	0	1	3	1	10	16
Region 3		GW	CP	FR	PB	CS	MA	LB	OT	
DC	7									0
DE	2									0
MD	73	2	1						14	17
PA	25						2		3	5
VA	37		11				1		16	28
WV	5									0
Subtotal	149	2	12	0	0	0	3	0	33	50
Region 4		GW	CP	FR	PB	CS	MA	LB	OT	
AL	20	1	1					3	10	15
FL	83				4		4	5	20	33
GA	47					1			3	4
KY	73				1				3	4
NC	26	2	2	1			1		3	9
SC	40		4				3	4	12	23
TN	54						3		17	20
Subtotal	343	3	7	1	5	1	11	12	68	108
Region 5		GW	CP	FR	PB	CS	MA	LB	OT	
IL	19	1	1					1	4	7
IN	8		2				2	1	1	6
MI	8						2	1	2	5
MN	11								5	5

GW - ground water	CS - compliance schedule
CP - closure plan	MA - manifest
FR - financial responsibility	LB - land ban
PB - part B	OT - other

OH	50	1	4				5	4	17	31
WI	9								2	2
Subtotal	105	2	7	0	0	0	9	7	31	56
Region 6		GW	CP	FR	PB	CS	MA	LB	OT	
AR	11		1		1				6	8
LA	25								2	2
NM	27	5	4				1		2	12
OK	27		2						7	9
TX	91	1	7			2	3	3	23	39
Subtotal	181	6	14	0	1	2	4	3	40	70
Region 7		GW	CP	FR	PB	CS	MA	LB	OT	
IA	4								1	1
KS	22	2	2						4	8
MO	11	1							2	3
NE	5						1		1	2
Subtotal	42	3	2	0	0	0	1	0	8	14
Region 8		GW	CP	FR	PB	CS	MA	LB	OT	
CO	28		1				2	1	3	7
MT	20									0
ND	10								1	1
SD	6							1		1
UT	10	1	1		1		2	1	4	10
WY	1									0
Subtotal	75	1	2	0	1	0	4	3	8	19
Region 9		GW	CP	FR	PB	CS	MA	LB	OT	
AZ	19	2	5				3	1	13	24
CA	65	5	14		2		3	14	45	83
GU	23	1	2				3	2	11	19
HI	7									0
NV	12								4	4
TT	1									0
Subtotal	127	8	21	0	2	0	9	17	73	130
Region 10		GW	CP	FR	PB	CS	MA	LB	OT	
AK	22	1	1				4		10	16
ID	25	2	2						4	8
OR	1								1	1
WA	18								3	3
Subtotal	66	3	3	0	0	0	4	0	18	28

Grand Total	1177	26	70	1	9	4	51	47	297	507

GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

Number of FY87
Federal Facility Inspections and Violations by State/Territory

	Inspections	Class I Violations								Violations Total
		GW	CP	FR	PB	CS	MA	LB	OT	
Region 1										
CT	7							3		3
MA	8							1	1	2
ME	4						1	2		3
NH	2									0
RI	4						1	1		2
Subtotal	25	0	0	0	0	0	2	7	1	10
Region 2		GW	CP	FR	PB	CS	MA	LB	OT	
NJ	15	1	3				1	1	4	10
NY	31						3		2	5
PR	5								1	1
VI										0
Subtotal	51	1	3	0	0	0	4	1	7	16
Region 3		GW	CP	FR	PB	CS	MA	LB	OT	
DC	8									0
DE	6	1	1						1	3
MD	24	1			1	1			1	4
PA	42								2	2
VA	40						1		5	6
WV	1									0
Subtotal	121	2	1	0	1	1	1	0	9	15
Region 4		GW	CP	FR	PB	CS	MA	LB	OT	
AL	33	1	4			4	1		8	18
FL	95	3	5		2	1	1		12	24
GA	40	1			1				3	5
KY	44		1		1		1		3	6
NC	24	4	3		1	3	1	2	4	18
SC	51	1			1		2		16	20
TN	59					1	1		5	7
Subtotal	346	10	13	0	6	9	7	2	51	98
Region 5		GW	CP	FR	PB	CS	MA	LB	OT	
IL	22		2					4	8	14
IN	12		1						2	3
MI	8		1				1		4	6
MN	8								2	2

GW - ground water	CS - compliance schedule
CP - closure plan	MA - manifest
FR - financial responsibility	LB - land ban
PB - part B	OT - other

OH	39		3	4			1	2	21	31
WI	8									0
Subtotal	**97**	**0**	**7**	**4**	**0**	**0**	**2**	**6**	**37**	**58**
Region 6		GW	CP	FR	PB	CS	MA	LB	OT	
AR	12		6		1		3		6	16
LA	18		2				7		7	16
NM	24	3	4				1		7	15
OK	16						2		4	6
TX	73	1					4		20	25
Subtotal	**143**	**4**	**12**	**0**	**1**	**0**	**17**	**0**	**44**	**78**
Region 7		GW	CP	FR	PB	CS	MA	LB	OT	
IA	3									0
KS	15								3	3
MO	7	1	1				1		2	5
NE	1						1	1	1	3
Subtotal	**26**	**1**	**1**	**0**	**0**	**0**	**2**	**1**	**6**	**11**
Region 8		GW	CP	FR	PB	CS	MA	LB	OT	
CO	24		1						4	5
MT	14									0
ND	9								1	1
SD	5									0
UT	8									0
WY										0
Subtotal	**60**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**5**	**6**
Region 9		GW	CP	FR	PB	CS	MA	LB	OT	
AZ	23	1	4		4		4	1	17	31
CA	117	2	8				2	18	37	67
GU	24							2	7	9
HI	8								1	1
NV	15	1		1			1		6	9
TT										0
Subtotal	**187**	**4**	**12**	**1**	**4**	**0**	**7**	**21**	**68**	**117**
Region 10		GW	CP	FR	PB	CS	MA	LB	OT	
AK	12	2	1				2		8	13
ID	5	1	2				1			4
OR	3		1				1			2
WA	21		1				2			3
Subtotal	**41**	**3**	**5**	**0**	**0**	**0**	**6**	**0**	**8**	**22**

Grand Total	1087	25	55	5	12	10	48	38	236	429

GW - ground water	CS - compliance schedule
CP - closure plan	MA - manifest
FR - financial responsibility	LB - land ban
PB - part B	OT - other

Number of FY86
Federal Facility Inspections and Violations by State/Territory

		Class I Violations								Violations Total
	Inspections	GW	CP	FR	PB	CS	MA	LB	OT	
Region 1										
CT	8	2	2						5	9
MA	11								4	4
ME	4		2				1		4	7
NH	2		2						2	4
RI	6								1	1
Subtotal	31	2	6	0	0	0	1	0	16	25
Region 2		GW	CP	FR	PB	CS	MA	LB	OT	
NJ	41	3	2		2		3		4	14
NY	38	1	1				2		1	5
PR	11		1						1	2
VI										0
Subtotal	90	4	4	0	2	0	5	0	6	21
Region 3		GW	CP	FR	PB	CS	MA	LB	OT	
DC	6									0
DE	5									0
MD	72								7	7
PA	19								2	2
VA	47		6						5	11
WV	4									0
Subtotal	153	0	6	0	0	0	0	0	14	20
Region 4		GW	CP	FR	PB	CS	MA	LB	OT	
AL	29	4	3			1	1		4	13
FL	84	2	3		6	1	1		13	26
GA	77				2		1		8	11
KY	42	1	1		1	2			4	9
NC	25	2					2		4	8
SC	60		1		3	1	1		11	17
TN	35		1						4	5
Subtotal	352	9	9	0	12	5	6	0	48	89
Region 5		GW	CP	FR	PB	CS	MA	LB	OT	
IL	24		4						15	19
IN	24	4	3						7	14
MI	6								3	3
MN	8		2						1	3

GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

OH	34	4	9				3		19	35
WI	7								3	3
Subtotal	103	8	18	0	[illegible]	[illegible]	3	0	43	77
Region 6		GW	CP	FR	PB	CS	MA	LB	OT	
AR	10				1				4	5
LA	17				1				4	5
NM	25	3	2		1				2	8
OK	17					1	2		8	11
TX	60	1	3		1		6	1	11	23
Subtotal	129	4	5	0	4	1	8	1	29	52
Region 7		GW	CP	FR	PB	CS	MA	LB	OT	
IA	10	1	2						2	5
KS	16								4	4
MO	6								2	2
NE	4						1			1
Subtotal	36	1	2	0	0	0	1	0	8	12
Region 8		GW	CP	FR	PB	CS	MA	LB	OT	
CO	34	1					1		4	6
MT	7									0
ND	7									0
SD	6									0
UT	18								1	1
WY	1									0
Subtotal	73	1	0	0	0	0	1	0	5	7
Region 9		GW	CP	FR	PB	CS	MA	LB	OT	
AZ	22	1	4				1		19	25
CA	146	14	18	2	2	1	4		39	80
GU	27								6	6
HI	20						1		3	4
NV	24						1		3	4
TT										0
Subtotal	239	15	22	2	2	1	7	0	70	119
Region 10		GW	CP	FR	PB	CS	MA	LB	OT	
AK	8	1	2				3		3	9
ID	5	1	2				2		2	7
OR	4								1	1
WA	26	3	3						4	10
Subtotal	43	5	7	0	0	0	5	0	10	27

Grand Total	1249	49	79	2	20	7	37	1	254	449

GW - ground water
CP - closure plan
FR - financial responsibility
PB - part B
CS - compliance schedule
MA - manifest
LB - land ban
OT - other

NEW JERSEY FEDERAL FACILITIES DETAIL

FY90 Inspected Sites	# Class I Violations	# NOVs	# Violations back into compliance
Dept. of the Air force - McGuire AFB	5	1	
FAA Technical Ctr			
Gaica Pew Refinishing	2	1	1
IT Corporation			
Ingrassia Const. at USPO Site			
Mid-State Correctional Facility			
Military Ocean Terminal Bayonne	1	1	
Morristown National Historical Park			
Naval Air Engineering Center			
Naval Weapons Station Earle	1	1	1
New York International and Bulk Mail Ctr.			
Newark Redevelopment & Housing Auth.			
Starck US Army Reserve Center			
US EPA Region II E.R. & H.M.I.B.			
US Naval Air Propulsion Ctr.	1	1	
US EPA			
US Army Armament R&D Command			
US Geological Survey, WRD			
US Postal Service			
US Army Comm Electr. Matl. Read Command			
US Army Corps of Engineers			
US Army Training Ctr. & Fort Dix	11	4	1
US EPA Region II	1	1	1
US Postal Service VMF			
USCGC Westwind (WAGB-281)			
US DOE Maywood Interim Storage Site			
US EPA E-TEC Facility			
VA Supply Depot			
Vehicle Maintenance Facility			
VA Medical Center	1	1	
Amaeco Fuel			
TOTAL	23	11	4

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NEW JERSEY FEDERAL FACILITIES SUMMARY

	FY90	FY91-to-date
Class I Violations	23	0
# addressed	13	0
# back in compliance	4	0

Enforcement Actions	11 NOVs addressing 13 violations

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LEAD STRATEGY—RESEARCH EFFORTS

Question. You [Administrator Reilly] have designated the Office of Pesticides and Toxic Substances (OPTS) as the office to coordinate the Agency's Lead Strategy. In addition to these overall coordination activities, the Office of Toxic Substances (OTS) has responsibility under the Lead Strategy to propose phasing out current uses of lead that pose "unreasonable risks," to develop a proposed rule to encourage battery recycling, to consider rulemaking to require advance notice to EPA of new uses of lead. and to publish an advance notice of rulemaking concerning additional potential restrictions on lead. Many of these activities (or followup activities) will take place in fiscal year 1992.

The fiscal year 1992 budget for OTS provides nine workyears [and $4 million] for lead-related activities. This is about 1 percent of the 892 workyears requested for the toxic substances program. Will this amount of workyears be adequate to carry out all the responsibilities placed on OTS in the Lead Strategy?

Answer. The Office of Toxic Substances does not intend to suggest that the level of resources identified in the 1992 budget request is adequate to support the implementation of all aspects of the lead strategy. The implementation and execution of the various components of the lead strategy will proceed over a period of years and EPA will request resources in succeeding years commensurate with anticipated resource demands. The Agency expects that the resources requested for 1992 will be adequate to support the implementation of those portions of the lead strategy that are anticipated in 1992, but the request does not imply that the identified resources are necessarily adequate to implement all components of the lead strategy over time. Although OTS has the lead for lead-related activities, it is not the only office within EPA that has all of the responsibilities.

Question. Industry spends considerable amounts of money to identify new uses for lead. Does EPA's research budget for fiscal year 1992 include funding for projects to identify less harmful substitutes for lead? If so, how much money is budgeted for this effort? If not, shouldn't it (or should some other Federal agency be doing research in this area)?

Answer. EPA's Office of Research and Development will devote $1,400,000 to evaluate new measurement methods while improving existing ones and compare the reality of the methods as well as the cost under field conditions. Field evaluations of alternative technologies for abatement of lead will also be conducted. An additional $50,000 of fiscal year 1992 funds may be utilized for further substitute identification.

In addition, in the Fall of 1990, the Agency decided to initiate development of a the Toxic Substances Control Act (TSCA) section 5(a)(2) significant new use rule to obtain advanced notice from persons intending to manufacture, import, or process lead-containing compounds for a new use. The proposed rule, which is currently under development, should be published in November of 1991. The anticipated publication date for the final significant new use rule is November of 1992.

Question. The public does not appear to be as aware of lead hazards as it is of other health hazards like smoking, asbestos or perhaps even radon. It seems that the time is right for a major public education campaign to alert parents, teachers, day care center operators and others about the dangers of lead and ways to protect against them.

Does the Agency's fiscal year 1992 budget (or that of any other agency) contain funding for such a public education effort? Which Federal agency should have the lead responsibility for such a program?

Answer. EPA agrees that there is a heed to alert the public to the dangers of lead exposure. The Agency is working with the "Alliance for Childhood Lead Poisoning" to establish a community-based strategy to get this message out. EPA is also engaged in discussions with other groups to determine the best approach to educate the public. A wide-spread public service campaign is also being considered.

These types of activities are included in our Lead Strategy, however, the funding for different projects has not yet been determined.

STRUCTURE OF THE OFFICE OF ENFORCEMENT

Question. Some believe that the Gorsuch era enforcement reorganizations were made to hamper rather than enhance enforcement, and that they have had this effect. Why did you reject the proposal of your chief enforcement official to reconstitute the Office of Enforcement as it existed previously? Do you truly believe that the current enforcement structure is the most effective for both the short and long term?

Answer. The organization of EPA's enforcement program is of primary importance to the accomplishment of EPA's mission as a regulatory agency. It is probably true that reorganization could improve some aspects of operations; however it is necessary to determine that on balance the change would result in a net improvement. In this instance, there are many reasons to believe that this would not be the case. In fiscal year 1990, the Agency achieved record enforcement levels. While EPA is not opposed to considering proposals to improve the Agency's enforcement management structure, it would be prudent at this time to reserve judgment and not tamper with what the Agency believes is "success".

CARSON RIVER MERCURY SITE

Question. In October 1989, a 50-mile stretch of the Carson River was proposed by the State of Nevada to become Nevada's first site for clean-up under the Superfund program. The site has been contaminated by mercury used in the amalgamation of gold and silver. Mr. Reilly, I understand the Carson River Mercury Site has obtained NPL (National Priorities List) status. What activities have been undertaken at the site?

Answer. The Carson River Mercury Site is currently listed on the NPL. The remedial action program is currently outlining the scope of the remedial investigation/feasibility study (RI/FS), preliminary to drafting a full RI/FS workplan. The RI/FS analyzes the type, complexity and size of the hazardous wastes located at the site and presents possible remediation options. The current budget of $750,000 is being paid for directly from the Trust Fund. The removal program has taken measurements at over a hundred tailings piles in the greater Carson River drainage patterns and is currently assessing whether these areas should be subject to immediate emergency action.

Question. The inefficient milling processes of the last century left much valuable ore in the waste materials now scattered in streams and across the land. Some believe the removal of mercury contaminants in the river is feasible—environmentally and economically. Are there other Superfund sites where recovery and reprocessing of valuable waste materials can pay for all or part of the cleanup required?

Answer. At the present time, there are no other NPL sites undergoing recovery and reprocessing of valuable waste materials located at the site. Abandoned mining sites present a unique opportunity for reclamation not present at other NPL sites. In the case of the Carson River Nevada NPL site there is a probability that mercury is located with other valuable materials such as silver and gold.

Question. Do you believe these sites offer a unique opportunity for integrated pollution control, in the sense that a private enterprise which is not liable for cleanup of the site under CERCLA might be interested in remining these materials in a way that cleans the environment?

Answer. The opportunity for reclamation of wastes at a site by a private party not liable under CERCLA could certainly exist. Should a private enterprise propose to recover valuable materials and, in the process, remove the hazardous substances from the environment they would be faced with the decisionmaking process present in all environmentally complex situations. The private enterprise would need to consider the options between a removal action versus the time-consuming procedures applicable to a remedial action as well as many other economic and environmental factors to determine the feasibility of such a project.

Question. Isn't it true that many of these sites do not have associated liable parties to bear the cost of cleanup because the historic mining operations are long gone without successors?

Answer. Historic mining sites unquestionably pose special problems in identification of liable parties and it is expected that many of the persons responsible for the mercury contamination in the Carson River and other similar sites in the West will not have successors who are liable for conducting response actions.

However, EPA is conducting a phased potentially responsible party (PRP) search and believes it is too early in the process of the Carson River PRP search to be able to say with any certainty that there are no current successors to persons responsible for the generation of the mercury that is now found in the Carson River basin.

Question. For a typical stream bed pollution in the West by tailings material, is the State involved liable as the current owner of the contaminated river bed of a navigable-in-fact stream, as well as the owner at the time of disposal of the tailings materials?

Answer. As the owner of the stream bed for any navigable streams in the State now and at the time of most of the mining activity, the State of Nevada would be the owner of a significant portion of the site and PRP under CERCLA section 107(a)(1) and 107(a) (2). Similar issues could arise as to the United States under CERCLA section 107(a) (2) with respect to any mercury releases prior to Nevada statehood in 1864. The United States may also be faced with issues under CERCLA section 107(a)(1) as the site extends to the Lahontan Reservoir, owned and operated by the United States Bureau of Reclamation, and the Stillwater National Wildlife Refuge, a unit of the United States Fish and Wildlife Service. EPA expects to make decisions regarding the need for further participation by all of these parties at some point after it has completed its initial scoping of the site.

Question. Doesn't the timing problem facing such a private enterprise arise from it being caught up in the remedial investigation/feasibility study/record of decision process? Wouldn't that substantial delay be ameliorated by characterizing the project as a "removal" action limited in time and in geographic scope?

Answer. It is true that a private enterprise which proposed to recover valuable materials and, in the process, remove the hazardous substances from the environment would be faced with a shorter review and decisionmaking process if the action were characterized as a removal action, subject to the less involved provisions of 40 C.F.R. section 300.415 than if the response were treated as a remedial action subject to the more time-consuming procedures applicable to such actions, including preparation of a remedial investigation/feasibility study.

Whether or not CERCLA would permit the recasting of a major response action at an NPL site as a removal action, the need for necessary environmental review may present an equally significant element of delay. Historic mining sites, like Carson River, frequently involve complex environmental problems which cannot be answered quickly, whether the action is studied under a remedial investigation/feasibility study used for remedial actions or under an engineering evaluation/cost analysis used for non-time critical removal actions.

TSCA ADJUSTMENTS

Question. The Toxic Substances Control Act contains a provision which limits the Agency from collecting more than $2,500 per premanufacture notification to offset the costs of processing the notice. The $2,500 fee in many cases may fall considerably short of the Agency's costs. If the cap were to be statutorily adjusted, what would an appropriate level be?

Answer. Approximately 30 percent of all Premanufacture Notices (PMNs) are exempt from the PMN fee. Others (e.g., small business PMNs) extract fees of less than $2,500. In fiscal year 1990, fees totalling $2,842,412 were collected for the 2,750 PMNs submitted. Fees collected, therefore, averaged $1,034 per PMN in fiscal year 1990. The actual estimated cost of reviewing each PMN, however, is approximately $3,500 or $1,000 above the statutory limit.

EMAP—ORD'S ROLE IN MONITORING

Question. The Research and Development program has undertaken a comprehensive monitoring program known as "EMAP". GAO will later testify that a set of indicators are needed to describe and monitor environmental conditions, that "can be linked to specific program activities". It is the last point that deserves some consideration.

Why is the Office of Research and Development (ORD) undertaking a monitoring program—a non-research function—rather than the specific program offices which for the most part have statutory mandates to conduct monitoring programs?

Answer. EMAP has been designed to determine the conditions of ecological resources in specific regions of the Nation. To accomplish this goal requires significant advancements in three areas: (1) the development of ecological indicators as metrics of condition; (2) for the design of a cost effective monitoring network in the area of environmental statistics; (3) and in the new discipline of landscape ecology. The program itself will characterize our extensive resources. It will broaden significantly our understanding of ecosystems and the effectiveness of our national environmental policies. It is, therefore, best described as both a research and monitoring program.

As EMAP is a multidisciplinary, multimedia, and integrative program, at this developmental stage, it most appropriately fits within the mission of the Office of Research and Development. When fully implemented, the program might best continue in another or multiple offices and this will be discussed within the Agency and with other Agencies. Until then, EMAP will come under close scrutiny by the scientific research community including regular reviews by both the Science Advisory Board and the National Academy of Science. These groups' review interest in EMAP review is indicative of both research community interest in the Program's mission and the scientific advancements required to meet the goals that have been set for the Program.

Question. If EPA is going to lead a comprehensive environmental monitoring program in conjunction with other Federal agencies, isn't a statutory mandate needed or desirable to facilitate data sharing and to establish a delivery system for assuring that the data collected is actually used?

Answer. EMAP was initiated under the Congressionally Mandated Reducing Uncertainty in Ecological Risk Assessment Program. At the present time EPA feels it has adequate legislative authority to continue EMAP under existing statutes.

Question. Considering the fact that resources for the research program have not grown appreciably over the past decade, why has the Agency chosen to direct significant resources to the EMAP program rather than to basic longer-term exploratory research for example, or to control technology development?

Answer. It should first be noted that to accomplish the goals of EMAP, long-term exploratory research must be woven fully into the fabric of the program. Identification and development of indicators that best describe condition, landscape ecology. development of criteria for describing optional, marginal, and inadequate ecological condition, are cutting-edge fundamental research issues.

However, understanding the baseline condition of ecological resources and documenting changes over time are essential to evaluating both the success of existing environmental programs and the need, if any, for additional efforts. Overall ecological status and trends are fundamental research issues that neither Federal agencies nor private institutions have been able to address satisfactorily. Yet this baseline information is critical to reduce the uncertainty associated with current ecological risk assessment approaches. As a large-scale, long-term program, EMAP will provide the appropriate regional and temporal context in which to evaluate discrete environmental observations. Also of extreme importance is that there is no current way to ensure that we are investing in the most important ecological research as there is currently no framework which can be used for quantitative comparative risk assessment. EMAP data, therefore, will be the first data set that will allow us to confidently prioritize what exploratory research might best be undertaken. For this reason, EMAP constitutes the foundation for all other parts of EPA's ecological risk assessment.

Question. What is the exact funding level requested in fiscal year 1992 for the EMAP program, and what is anticipated to be needed to support the program over the next several years? Will the funds be requested exclusively through the research program, or will the various program offices contribute to the funding?

Answer. EPA has requested $30.74 million for EMAP in fiscal year 1992. While EMAP staff will be working with EPA Regions and other program offices to address mutual data requirements, EPA will fund EMAP exclusively through the ORD budget. EPA does receive external support for EMAP from other cooperating agencies. Currently, this support is primarily in the form of staff time and facilities use. However, EMAP managers anticipate joint funding with other agencies in areas of mutual interest upon full program implementation. The future financial support needed for EMAP will depend on the success of the demonstration projects and arrangements made with other agencies to conduct studies and field monitoring.

NATIONAL ENERGY STRATEGY

Question. As we, in Congress, begin to focus more attention on crafting a national energy policy that is environmentally compatible, I believe that it is important to understand the role that EPA has had and will continue to have with the Department of Energy.

DOE has testified in recent weeks that its National Energy Strategy would have a significant improvement on the global environment. The sole performance indicator they propose to use to characterize this improvement is termed the Global Warming Potential that was based on greenhouse gas, specifically carbon dioxide, production. I might add that the National Energy Strategy takes full credit for the Clean Air Act Amendments that we passed in the last Congress.

There are a series of questions that this raises in my mind and I hope, has been considered by EPA in giving advice to DOE.

Should carbon dioxide production be the sole indicator of environmental quality with regard to our National Energy Strategy?

Answer. A healthy environment is measured by a host of factors such as how clean is the air we breathe, the water we drink, whether national parks are pristine and whether the earth's climate is changing at an abnormal rate. Since environmental quality is multifaceted, no one indicator or set of measurements can adequately capture the overall state of health of the environment.

With this in mind, it is important to recognize that the National Energy Strategy seeks to improve environmental quality by undertaking a number of actions that might provide for both broad human health and environmental gains. For example, the Strategy attempts to quantify the impacts of the proposed options on urban air quality, acidic deposition, air toxics, water effluent, total waste volumes and greenhouse gas emissions.

QUESTION. How are we to account for the impacts to the environment with no improvement in CAFE, and increased quantities of nuclear waste, toxic releases, scrubber sludge and flyash that must be disposed of safely?

ANSWER. The National Energy Strategy provides an array of options that improve energy efficiency and promote conservation, stimulate greater diversity of available energy sources and fuels, and modernize technologies for electric utilities, industrial use, transportation and space heating and cooling. In most cases, the implementation of these options will lower the rates of water and air emissions and reduce the hazards posed by the wastes generated. The overall effect of these measures should be to reduce the burden on the environment from energy- related pollution.

QUESTION. How effective was EPA in convincing DOE of the need to move along a sustainable path to meet our energy needs that will be environmentally compatible?

ANSWER. The Administration's National Energy Strategy meets our energy needs in an environmentally compatible manner. The Administration's strategy was developed through a thorough interagency process in which EPA was a full partner. Clearly, there were differences of opinion on various issues but these differences were reasonably resolved.

QUESTION. What is the role that EPA plans to play in advising the DOE on its evolving National Energy Strategy?

ANSWER. EPA will continue to work both with DOE and independently on analyses of the environmental aspects of energy policy decisions. This will ensure that decisions are based on the best available information and that each Agency's respective concerns are thoroughly integrated into future decisions on the strategy.

PROGRESS ON POLLUTION PREVENTION CRITERIA

QUESTION. With Congress' initial success last year in passing the first reauthorization of the Clean Air Act in a decade, EPA now has its work cut out for it. Implementing the amendments will be no easy feat.

I'm sure that EPA eagerly awaits Congress' actions on RCRA, on TSCA, and on water legislation. EPA's plate will fill quickly and I believe the system will be severely taxed to implement the programs to deal with the control of pollution problems.

This situation forces me to make an analogy with another issue that squarely faces this Congress: energy policy. Just as we were last year with Clean Air, we are inundated with the rhetoric of market forces that dominate the decisions on domestic issues by this and the previous Administration.

Not to belabor the point on energy policy, I believe that the most economical energy that we can produce is the energy that we do not consume. Similarly, the most economical solution to our air, water, and land pollution problems is the pollution problem that we do not create at the outset.

At the end of last year, Chairman Burdick and I indicated the intent of this Committee to hold oversight hearings on the performance of EPA on its pollution prevention program. You have indicated your strong support for waste minimization and elimination programs that deal with the front end of the process rather than control and treatment at the back end of the process.

Can you outline the progress of the Agency toward meeting the pollution prevention program criteria that were spelled out in last year's Appropriations bill and would you provide us with the benefit of your vision of the program in the years to come?

ANSWER. The Office of Pollution Prevention (OFF) has incorporated the six major program evaluation criteria from the fiscal year 1991 Appropriation5 Conference Report into its fiscal year 199I work plan for the Pollution Prevention Division and fiscal year 1991 performance standards for OFF managers. Activity is now underway in each of the six areas, as follows:

1) The development of *sectoral strategies* has begun, with the manufacturing sector strategy—embodied in the Industrial Toxics Project—newly in place. Development of the energy, consumer, agriculture and Federal sector strategies is underway. A series of meetings is taking place and leadership has been identified for each sector. We expect all the sector strategies to be in place by the end of the year.

2) For the development of *analytical tools,* two large studies are underway to develop full cost accounting tools to quantify the benefits of pollution prevention.

3) The integration of pollution prevention with *strategic planning* is an ongoing activity of the Strategic Planning and Pollution Prevention Divisions. OPP's efforts

reflect the Agency view that pollution prevention, strategic planning, and rise management form a three-legged system.

4) *Outreach* continues to be aggressively pursued by OFF.

5) As part of its efforts to improve the *regulatory development* process, OPP has been closely involved in implementation of the Clean Air Act (CAA). OPP decided to focus early efforts on CAA implementation—the area of most intense Agency regulatory activity—in its pursuit of opportunities for considering prevention in regulatory decisions.

6) OPP will begin to implement a strategy to *inform the public* about the environmental implications of consumer products in February, 1991.

These activities will continue and expand in fiscal year 1992.

RESPONSES TO QUESTIONS FROM SENATOR LIEBERMAN

CIVIL INVESTIGATORS

QUESTION. The Pollution Prosecution Act authorized EPA to hire 50 civil investigators as soon as practicable after enactment but no later than September 30, 1991. The budget contains no request for funding for additional civil investigators. How does EPA intend to meet this mandate? If EPA intends to transfer inspectors to positions as civil investigators, please explain the qualifications EPA will require for hiring as a civil investigator.

ANSWER. The fiscal year 1991 Appropriations Act did not provide any additional funding for EPA to implement any of the provisions of the Pollution Prosecution Act of 1990. The requirements of section 203, represent a new function for the Office of Enforcement. All facets of this new mission are currently being defined and analyzed to determine the most logical and cost-effective manner for the Agency to adhere to these requirements.

In our view, civil investigators are primarily gatherers of evidence for use in enforcement proceedings. They have expertise in investigative techniques including interviewing skills, following leads, tracing individuals, uncovering assets and ownership, researching records and preparing reports. Secondary skills include knowledge of the laws, rules, regulations and objectives of the Agency. Civil investigators are strictly enforcement-oriented. Their primary duty is to gather evidence for administrative or judicial enforcement proceedings. Civil investigators work in both developing a case and supporting ongoing litigation. Civil investigators complement the Agency criminal investigator, inspector and legal enforcement personnel.

Inspectors are the front-line enforcement personnel tasked with the responsibility of making initial contacts with regulated entities and determining their compliance status. These initial visits primarily involve site examinations wherein technical or quasi-technical de terminations of the compliance status of the entity are made. Once an inspector has identified a violation, the affected program may want a follow-up investigation to be done. Follow-up work, including interview, document analysis, etc. are all appropriate functions of a civil investigator that supplement, not replace, the expertise of inspectors.

In hiring these additional investigators, the Agency will adhere to the Civil Service Guidelines for classifying civil investigator positions. Under ideal circumstances, these additional investigators should have extensive investigative experience in EPA (i.e., Superfund or the Office of Inspector General) or other law enforcement agencies. Experience in civil investigative techniques is an important hiring requirement, with a comprehensive understanding of EPA programs and regulations being a secondary requirement. The National Enforcement Training Institute will provide broad training in the areas of environmental law, regulations, site investigations, sampling techniques, etc., which will enable these newly-hired civil investigators to conduct multi-media investigations.

RESEARCH ON ELECTROMAGNETIC RADIATION

QUESTION. Last year EPA developed a document on the effects of electromagnetic radiation that focused only on cancer. Much research has been published regarding the potential of electromagnetic radiation to produce other health effects, such as effects on reproduction.

The budget report spells out that research efforts on electromagnetic radiation will include assessment of cancer data from laboratory and epidemiology research. It does not mention any other health effects. Will research efforts also evaluate other potential health effects of electromagnetic radiation?

Answer. The draft EPA document entitled: "Evaluation of the Potential Carcinogenicity of Electromagnetic Fields" focused primarily on cancer and effects to the nervous and immune systems which may be related to cancer. The document also recognized that data exists indicating that exposure to electromagnetic fields (EMF) may be associated with health effects other than cancer (e.g., reproductive and developmental, nervous system, and immune system effects). We are considering whether existing data is adequate to conduct a review of non-cancer outcomes. We recognize that additional research is needed to confirm these preliminary studies.

ORD is preparing a document describing a national research plan for EMF. The purpose of this document is to identify the universe of research needed to determine the health risk from EMF exposure and how to effectively limit exposure to EMF, if necessary. This document will include sections on health effects, exposure, and control technology. The health effects chapter will discuss human and laboratory studies needed to address concerns regarding cancer, neurological, reproductive and developmental effects, and immune system effects. This document will help prioritize our research program and build a consensus on the most critical research areas. Other Federal Agencies (e.g., DOE, NIH, and NIOSH) and the private sector (e.g., EPRI) support research on EMF. Because resources are limited, research efforts must be focused where they can make a difference, we are coordinating our effects with these groups. As part of this effort, these groups are being asked to review the proposed research plan.

In addition, the Office of Research and Development (ORD) is supporting the Health Effects Institute's (HEI) to conduct a feasibility study which will determine if HEI should undertake a research program on the health effects resulting from exposure to EMF. This study will be completed in 1991 and will: 1) based on an analysis of ongoing studies and existing knowledge identify the specific research needs to determine the relationship between EMF exposure and human health; 2) identify the role HEI would play in supporting or conducting research in this field; and 3) recommend the direction of future HEI endeavors in this area.

When both of these analyses are complete we will make the final determination on our research program priorities. However, our initial belief is that research to clarify the relationship between EMF exposure and cancer should be our highest priority. Specifically, we believe our role is to support research to improve our understanding of the biological mechanisms involved in cancer initiation or promotion processes. This information would be beneficial in identifying the biological activity of EMF which would result in: 1) more accurate determination of the potential risks, and 2) lead to appropriate control strategies, if necessary.

RISK ASSESSMENT—CORRECTIVE ACTION

Question. The President's budget contains a new section on risk management. It identifies various programs which the President believes should be "experiments" in this new approach, including EPA's cleanup program for hazardous waste sites under RCRA (corrective action). OMB also has identified rules which it apparently deems are not cost-effective, including EPA rules. Unfortunately, OMB seems to have taken another opportunity to criticize EPA's conservative approach to risk assessment. What type of review of EPA's corrective action rule will be required under this new program? Will this review mean additional delay in the long-awaited corrective action rule?

Answer. As described in the President's fiscal year 1992 budget, under "Reforming Regulation and Managing Risk Reduction Sensibly," the Administration has selected 11 pilot projects for Risk Management Budgeting, one of which is entitled "Corrective Action for Certain Hazardous Waste Treatment Storage and Disposal Facilities." The ultimate goal of this program is to ensure an allocation of resources that achieves the greatest net benefit.

EPA is in the process of conducting a comprehensive regulatory impact analysis (RIA) for the RCRA Corrective Action Rulemaking. This analysis will estimate the costs and benefits of various regulatory options for the cleanup of releases from hazardous waste treatment, storage and disposal facilities. EPA began developing the methodology for this analysis in the late summer of 1990 (in advance of the publication of the Presidents's fiscal year 1992 budget) and formed an interagency workgroup (which includes representation from OMB) to expedite data gathering on Federal facilities and to obtain early feedback on the methodology that EPA is using to conduct these analyses. EPA expects that the analyses conducted for the purposes of the RIA will satisfy that aspect of the Corrective Action Risk Management Budgeting pilot project. EPA does not expect that the Corrective Action Rule will experience any delays associated with completing additional analyses to satisfy the Risk Management Budgeting Initiative.

OPTS—ADEQUATE RESOURCES

Question. For the second year in a row there has been a proposed $50 million cut in funding for the Office of Toxic Substances (OTS), on the grounds that the money will be replaced by the congressionally funded asbestos removal program. However, there is no funding for asbestos in schools. Furthermore, the budget does not provide for any increase in funding that would go along with the increasing number of other challenges the Office must meet every year. For example, every year since the inception of the New Chemical Review Program the number of premanufacture notification submissions has steadily increased. The Office has identified new initiatives and expanded the scope of old ones.

How does OTS propose to meet its increasing program needs without any financial adjustment?

Answer. Although the Agency has not requested increased resources for the toxic substances program, the Agency will not hesitate to reprogram resources internally from lower-priority activities to higher-priority activities as necessary. As existing program activities mature, as the need for continuing certain functions at current resource levels declines, or as ongoing projects are completed, resources associated with such activities can be shifted to new, growing or higher-priority activities. In addition, wherever possible the Agency incorporates cost-saving measures or increased efficiencies to realize resource savings. Examples include the introduction of optical character reader and optical disk storage technologies to process and store large amounts of data, and the redirection of the existing chemicals program. The Agency is confident that it can continue to meet the demands of its mission with the resources contained in the current budget request.

GENERIC CHEMICAL REVIEW

Question. The Office of Toxic Substances (OTS) should be commended for its efforts to revitalize the Existing Chemical Review Program and its exploration of utilizing more fully the authorities under the Toxic Substances Control Act.

Efforts are underway to develop several generic rules which would require testing of multiple chemicals. What is the status of these generic rules?

Answer. A proposed generic test rule for obtaining developmental and reproductive toxicity data was published in the Federal Register on March 4, 1991. The final rulemaking is anticipated in January 1992. A proposed generic test rule for obtaining neurotoxicity data was published in the Federal Register on March 4, 1991. The final rulemaking is also anticipated in January 1992. OTS is developing issues for a proposed generic test rule for obtaining subchronic toxicity data. To date there have been no testing candidates identified. A proposed multi-chemical test rule for glycidols will go to the Office of Management and Budget (OMB) for review in April 1991. A final rulemaking is anticipated in October 1992. OTS is selecting chemicals for a multi-chemical test rule which would obtain screening from the Toxic Release Inventory (TRI) database and develop a Screening Information Data Set (SIDS). Work is beginning on an ecotoxicity rule on persistent bioaccumulation. OTS is also working with the Office of Air and Radiation to identify those chemicals in the Clean Air Act Amendment of 1990 list of Air Toxics, where testing is needed.

Question. What areas of toxicity or classes of chemicals do they address?

Answer. As mentioned in the preceding question, OTS is developing test rules in the areas of neurotoxicity, reproductivity and developmental toxicity. The SIDS rule will address screening level testing. The persistent bioaccumulation rule will address ecotoxicity and chemical fate. The Air Toxics rule will address subchronic testing.

Question. What areas are being considered as candidates for other generic rules?

Answer. Efforts on a multi-chemical test rule covering 24 Superfund Amendments and Reauthorization Act (SARA) section 110 chemicals will be initiated later this year to fill priority data gaps in the Agency for Toxic Substances and Disease Registry's (ATSDR's) toxicological profiles.

Question. The report indicates that there are over 10,000 chemicals with production volumes greater than 10,000 pounds per year for which little data exist regarding their potential health effects. Is OTS considering implementing a screening program similar to that implemented by the Organization of Economic and Cooperative Development (OECD) in which chemicals with a high production volume (HPV) will be subjected to a screening battery of health and ecological tests?

Answer. The U.S. was the leader in pressing OECD to adopt the screening program initiatives. OTS is attending and participating in meetings with OECD member countries, industry and other Federal agencies to facilitate harmonization of environmental principles, standards and testing procedures on HPV chemicals using the Screening Information Data Set (SIDS) effort, that is, using a base set of screening-level test data available on certain HPV chemicals. In fiscal year 1990, OTS piloted an International Testing Program (ITP) explicitly to take on the task of developing international screening and testing activities known as HPV/SIDS under the auspices of the OECD. Beginning with a list of over 1300 chemicals produced in high volumes internationally, the OECD has identified 500 chemicals that are a priority for the development of sufficient test data to allow the chemicals to be screened for possible hazard.

In fiscal year 1991, OTS piloted a program to review information dossiers on the remaining HPV chemicals and the results of 53 high-priority chemicals. To date 30 testing decisions have been made. OTS has also: (1) participated in several OECD Joint Meetings; (2) published a Master Testing List, which defines the universe of chemicals to be tested and the priority with which EPA will pursue them; and (3) communicated with other Federal agencies and OECD Member countries regarding HPV/SIDS issues.

In fiscal year 1992, OTS' international activities will enhance the U.S. ability to provide leadership in the harmonization of testing standards and protocols to encourage the use of cooperative testing, and to actively participate in the OECD cooperative screening, testing and risk reduction program. The ITP will provide assistance which will help in the elimination of inconsistencies, uncertainty and redundancies of test data that cause problems for industry, and allow EPA to plan and develop data confidently for future assessment of HPV chemicals.

OTS does not want to duplicate efforts of the OECD HPV testing program and encourages it as a means of having our allies share some of the burden of testing. Nevertheless, OTS believes that screening level data should exist on HPV high release chemicals and will require the generation of a screening data set for certain HPV high release chemicals on the Toxic Release Inventory for which such data do not exist.

TOXIC CHEMICALS—INTERNATIONAL STANDARDIZATION

QUESTION. How is the international community working together to standardize test methods, share risk assessment information, and reduce levels of exposure to toxic chemicals?

ANSWER. The major international cooperative effort on developing harmonized test guidelines and principles of good laboratory practice (GLP), sharing the burden of testing, sharing risk assessment information, and reducing levels of exposure to toxic substances has been undertaken by the Chemicals Group of the Organization for Economic Cooperation and Development (OECD). The Chemicals Group with the active participation of the United States has been a leader in pursuing international cooperation in chemical testing and assessment since the mid-1970's. Within the past two years, it has become the leader in international cooperation in developing test data and risk management.

The United States is an active member of OECD expert groups developing test guidelines for assessing health 'nd ecological toxicity, determining exposure levels and GLP standards. In regard to harmonization of test guidelines, the United States, lead by EPA, agreed in 1981 to the OECD Council Decision concerning Mutual Acceptance of Data in the Assessment of Chemicals. In agreeing to this Council Decision, the United States obligated itself to accept data generated in the testing of chemicals in other OECD Member countries in accordance with OECD test guidelines and OECD principles of good laboratory practice for purposes of assessment and other uses relating to the protection of man and the environment.

In November 1989, the United States and other OECD Member countries agreed to initiate an international testing program to generate the toxicity data needed to screen high production chemicals and to set priorities for testing and/or assessment of these chemicals. This program is known as the OECD Screening Information Data Set (SIDS) effort. The purpose of the program is not only to obtain the necessary toxicity information, but also to have OECD Member countries share the burden of testing. The first step in this effort was the establishment of a set of screening tests and information needs and the identification of 53 chemicals to be used in a pilot testing program. Once test data are available and assessments efforts start, OECD Member countries will need to sort out and try to understand differences in approaches to hazard and risk assessment. It is anticipated that this increased understanding will lead to a common approach to risk assessment around the world.

Also in November 1989, the OECD Chemicals Group began efforts to develop international cooperation in the area of risk reduction. In May 1990, OECD Member countries adopted a broad approach to risk reduction activities. The approach includes having an extensive risk reduction program involving various mechanisms for reducing exposure to toxic chemicals and targeted risk reduction activities on specific chemicals. The Member countries agreed to initiate a pilot risk reduction study on five chemicals. The study entails examining risk reduction strategies for lead, mercury, cadmium, methylene chloride and brominated flame retardants. The United States has the lead responsibility for the lead strategy. It is anticipated that these strategies will identify a variety of ways to decrease exposure to these chemicals and that Member countries will implement some or all of the strategies depending upon their legal mandates.

Besides the OECD, different United Nations organizations carry out efforts in international cooperation in the areas of testing, hazard and risk assessment and risk management. The United Nations Environment Programme (UNEP) effort, known as the Prior Informed Consent (PIC) program, is meant to have countries exchange information on banned chemicals prior to the export of such chemicals. The World Health Organization's (WHO) International Programme on Chemical Safety (IPCS) works with experts from throughout the world on developing hazard assessments on chemicals.

Another major effort in testing and, risk management is the Montreal Protocol Agreement on protecting the earth's ozone layer. The United States is a very active participant in this effort. The United States, along with other parties to the agreement, is working with American and international companies to test for safer substitutes for chloroflurocarbons (CFCs) and to eliminate the use of CFCs as required by the agreement.

LEAD REDUCTION ACTIVITIES

QUESTION. The budget includes $4 million to the Office of Toxic Substances to implement an Agency-wide lead strategy to reduce the level of lead in the environment. The budget also describes lead abatement and enforcement activities through the Multi-media Program. The level of funding for this program is not specified.

How much total funding is proposed for all lead reduction activities within the Agency?

ANSWER. The Agency's fiscal year 1992 budget requests $7,100,000 and 11 workyears for lead activities across several Agency offices.

QUESTION. What mechanisms will be used to develop research efforts in the areas EPA has identified as being important: abatement support, exposure analysis/measurement, health effects, and technology transfer? That is, will this research be conducted within EPA or will grants or cooperative agreements be established with outside research organizations?

ANSWER. EPA's Office of Toxic Substances and Office of Research and Development (ORD) are working closely with the Department of Housing and Urban Development (HUD) and the National Institute of Standards and Technology (NIST) to improve the state of laboratory testing to insure that laboratory tests of lead in various media are standardized, reliable, and of acceptable quality.

In fiscal year 1992 EPA/ORD proposes to conduct research in the development of Standard Reference Materials in cooperation with NIST; Performance Testing Materials and Quality Assurance/Quality Control (QA/QC) Laboratory Protocol; abatement testing and methods inter-comparison and collaborative testing reports on clearance testing; and laboratory accreditation specification reports.

Finding lower cost abatement methods that function in eliminating lead exposure hazards in the home is a high priority at EPA. As part of the EPA lead-based paint program, new encapsulation technology and methods of assessing encapsulant performance are being developed. In addition, EPA is working closely with industry groups through a Government/Industry Cooperative effort and with States such as Massachusetts in determining performance attributes and criteria for assessing the performance of commercially available and new encapsulant coatings.

QUESTION. How will all of the activities be coordinated within the Agency?

ANSWER. The Administrator has designated the Office of Pesticides and Toxic Substances (OPTS) to head up EPA's efforts on lead. OPTS was responsible for developing the lead strategy, and is responsible for coordinating the various Agency activities dealing with lead. The OPTS Deputy Assistant Administrator is the designated Agency official overseeing lead activities. A special committee of office directors across the Agency meets regularly to discuss progress and coordination issues.

QUESTION. The lead strategy document submitted just prior to the Environment and Public Works Committee's hearing on lead several weeks ago, identified a number of activities the Agency was considering. How does the Agency plan on exploring these initiatives with the low level of funding that is being proposed for this incredibly important area of pollution reduction?

ANSWER. The Agency is exploring the various initiatives as outlined in the lead strategy. Many of the actions are part of ongoing inquiries and analyses in EPA programs. For budget purposes, they are intertwined with existing parts of our programs and have not always been separately earmarked as a lead item. Further, EPA has been evaluating and studying lead issues for years now, and the efforts described in the lead strategy build on the work of other agencies.

PROMOTION OF "SAFER" PESTICIDES

QUESTION. Could you please elaborate on how the Agency intends to promote "safer" pesticides?

ANSWER. Most pesticides present some risks incidental to their use. Some pesticides present higher risks to humans, ecosystems, or non-target species than other pesticides and when significant exposure is likely, the continued registration of these pesticides creates special concern. If the benefit of a pesticide is significant enough to out weigh the risks, such uses may be registered or retain their registration. Often, there are no cost effective alternative pesticides to these higher risk pesticides. Therefore, their uses are considered by EPA to be "reluctantly retained." The goal of the "safer" pesticides policy is to seek a reduction in public health or environmental risk through incentives for the development of newer pesticides and pest control practices that achieve lower overall risk.

QUESTION. Does this mean that there will be incentives for industry to produce new pesticides that are less toxic to humans and the environment than those that already exist on the market?

ANSWER. The Agency will be identifying meaningful incentives and incorporating them into any proposed "safer" pesticide policy. Currently, the Agency is considering modifications to the registration process as well as providing early and more rapid market entry. Public comment will be requested to identify additional incentives.

QUESTION. What changes is EPA implementing in its review process that would "speed up" the registration of new chemicals and biologicals?

ANSWER. EPA is still in the process of forming the framework of the proposed policy. However, some of the review process modifications being considered might include: higher priority in the review process, early consultation to identify requirements, and reductions or deferrals in data requirements.

QUESTION. If EPA will be promoting "safer" pesticides, will it also be promoting rapid cancellation of "unsafe" pesticides?

ANSWER. EPA believes that registration of safer substitutes for the higher risk pesticides or for categories of pesticides with general risk and/or resistance concerns, is in the public interest. Accordingly, whenever the Agency is persuaded by the available information that an application or potential application either meets EPA's safer pesticide criteria, or would be a good candidate to replace one or more uses of a higher risk pesticide, it proposes to reconsider the registration of the pesticide with the higher risk use. This may involve the reinitiation of a Special Review or other Agency action to consider cancellation or other limitations on the higher risk use.

QUESTION. What efforts are underway to ensure a timely cancellation of pesticides that are shown to produce adverse health and environmental effects?

ANSWER. Current Agency policy is to cancel pesticides that are shown to pose unreasonable health and environmental risks as timely as possible. The Agency is constantly reviewing internal procedures to identify areas that need improvement.

GROUNDWATER PESTICIDE CONTAMINATION

QUESTION. According to the budget report, a recent study reported that 46 pesticides have been detected in groundwater. Are the levels in the groundwater sufficient to produce adverse health effects to humans who are exposed?

ANSWER. The above estimate of pesticide contamination represents the number of different pesticides detected in groundwater by various Federal, State, academic and pesticide-registrant studies or investigations and reported to EPA through early 1988. These chemicals are those involved in contamination attributed to normal, registered use (rather than to incidents of spills, accidents, misuse or improper disposal). Since then, the Agency has conducted its own National Survey of Pesticides in Drinking Water Wells and collected further information from other sources. We will be preparing a new summary of groundwater contamination incidents in the near future.

The levels typically detected in these investigations have been well below Agency drinking water standards and health advisories. Where these chemicals involve so-called "non-threshold" toxicity mechanisms (such as carcinogenicity), no level of exposure can be said to be completely free of human health risk. In addition, since groundwater monitoring is far from comprehensive (given its technical difficulties), we may not know the trued extent of human exposure to pesticides in groundwater. However, based on the information available now, pesticides in groundwater is not currently a pervasive threat to human health. Because of this, EPA has the opportunity to emphasize prevention, and not remediation, in addressing pesticides and groundwater.

QUESTION. What is the Agency doing to eliminate or minimize contamination of groundwater by pesticides?

ANSWER. EPA is pursuing a variety of activities, within the strategic framework of the Agency's Groundwater Protection Principles and the Pesticides in Ground-Water Strategy. These two policy statements, developed in tandem, emphasize a new mode of Federal-State partnership and an appropriate mix of regulatory and non-regulatory initiatives, as well as the need to prevent potentially harmful contamination before it occurs. At the Federal level, EPA's pesticide program will continue to collect and evaluate data on chemicals' leaching potential, and act to change the registered use of products where necessary. Where EPA deems that a chemical's contamination potential requires more action, and where localized management efforts would effectively address the contamination risk, then EPA would make legal use contingent on whether States have an approved Pesticide Management Plan. This would enable the States, which are in a natural position to gauge the differential use, value and vulnerability of local groundwaters, to make the key case-by-case decisions. However, EPA also emphasizes non-regulatory actions. For instance, we recognize that farm policy can contribute to ground-water protection. EPA has worked closely with the U.S. Department of Agriculture (USDA) on a variety of initiatives - for instance, implementation of the 1990 Farm Bill provisions and the President's Water Quality Initiative -to promote safer chemical and nonchemical pest control alternatives and other practices that reduce the potential for pesticide residues to be introduced into groundwater.

LAWN CARE PESTICIDES EFFORTS

QUESTION. What is EPA's strategy in evaluating risks of pesticide use on lawns and inside buildings?

ANSWER. Risk assessment includes hazard identification, dose-response assessment, exposure assessment, and risk characterization. Hazard identification determines the inherent toxicity a compound possesses. Both acute and chronic toxicity are evaluated. Dose-response assessment uses experimental animal and/or epidemiologic data in conjunction with statistical or other models to extrapolate to the low doses to which the human population is likely to be exposed, to determine how potent a carcinogen the chemical is and to estimate an acceptable level of exposure for non-cancer effects. Exposure assessments address various pathways of exposure to humans and/or the environment. Risk characterization couples the exposure assessment and the dose- response assessment to project the plausible upper bound of the risk under different exposures.

Exposure assessment is widely recognized as one of the more uncertain components of the risk assessment process. Specific pesticide exposure needs exist in the areas of dermal absorption and residential exposure. Dermal exposure research will focus on improving our ability to determine: the transfer of chemicals from surfaces to skin; the bioavailability of chemicals on various surfaces (e.g. soil, dust, products); arid to identifying human activity patterns, such as duration and frequency of exposures, which impact overall exposure levels. The residential exposure research will focus on assessing exposure to pesticides in homes, yards, and gardens, particularly to children, after the use of consumer products. Research and data gathering is being coordinated with CDFA, Health and Welfare Canada, academia and industry. These groups comprise a committee which meets twice a year. The Agency's goal is to develop a guidance document for the conduct of residential exposure studies.

QUESTION. Will there be a complete assessment of the potential health hazards of the most commonly used chemicals in lawn care and inside of buildings?

ANSWER. EPA will be paying close attention to lawn care and other home pesticide uses, as we go through the reregistration process mandated by the 1988 amendments to FIFRA. The key to that process is the development of adequate, up-to-date data to evaluate the safety of continued registration of these uses. That problem is not unique to lawn care. It is the central task facing EPA for all of the older pesticides. The reregistration program set forth in the 1988 amendments to FIFRA is the means for bringing these data bases up to current standards.

The kinds of data needed to assess lawn care pesticides fall into three categories: (1) toxicity data, which are generally from laboratory studies, to identify possible adverse health effects; (2) environmental fate and ecological effects data, which identify the fate of the chemical in the environment after application, and its possible effects on non-target species; and (3) exposure data, which assess the frequency, extent and routes of exposure for people, including sub-populations such as children.

The current data requirements for pesticides registered for "terrestrial non-food" uses, which is the description in our regulations that includes the lawn care use pattern, routinely require registrants to provide acute toxicity data for oral, inhalation, and dermal routes of exposure, as well as mutagenicity testing, and skin and eye irritation tests. The Agency may also require registrants to submit an additional battery of studies for some new lawn care pesticides. These additional tests may include the studies needed to assess chronic health effects, including cancer, and developmental effects such as birth defects and other reproductive disorders. It should be noted that 29 out of the top 34 pesticides registered for lawn care also have food use registrations, and thus, have been subject to those data requirements in the past.

The environmental fate concerns for lawn care pesticides are essentially the same as those associated with agricultural pesticides. These concerns arise from the pesticide's potential to leach into groundwater, or to run off into surface water. Incorrect use of application equipment and timing of the application can also result in movement of a pesticide off-site through drift of spray particles. Depending on the levels of residues that move off-site through leaching, run-off, or drift, adverse effects on non-target plants and animals or exposed people could occur. The evaluation of the environmental fate data supporting currently registered pesticides is being accomplished through the reregistration process. To determine a pesticide's impact on non-target species, the Agency requires a variety of toxicity tests to be conducted on birds, fish and aquatic invertebrates. Other studies are conditionally required depending on the results of the tests just mentioned, the type of pesticide, its use pattern, and environmental chemistry and product chemistry data. Again, it is primarily through the reregistration process that the Agency will address concerns about the risks posed to non- target species such as birds resulting from pesticides used on home lawns, golf courses, and sod farms. When significant evidence arises to challenge the safety of these chemicals, the Agency can pursue regulatory action through its Special Review process, as we did in the case of hazards to birds posed by diazinon use on golf courses and sod farms.

While many concerns about lawn care pesticides can be clarified by bringing all required toxicity, environmental fate and ecological effects data up to date, exposure assessment for lawn care poses some special problems. In general terms, we know that with lawn care pesticides, exposure occurs primarily through the skin or by inhalation. Ingestion of lawn care pesticides is also a possibility for children, as well as domestic animals and wildlife. Beyond these general principles however, there is very little scientific information that would help to assess the frequency and kinds of exposure to lawn care pesticides actually experienced by people or animals. To cite a few examples of the unknown factors, there are few data on how often people in different age groups are in physical contact with a treated lawn, or how much pesticide is available in that environment for dermal absorption or for inhalation, or how these levels change over time, or the extent to which these residues are transferred to the skin. Cooperative agreements to develop exposure methodology are being put in place between EPA and the University of Washington; the University of California, Davis; and the University of Florida. This is anticipated to be an ongoing effort in fiscal years 1992/1993.

QUESTION. Will there be monitoring of exposure patterns following treatment of lawns and inside buildings?

ANSWER. In the absence of adequate information or any agreed upon scientific approach to assessing this type of exposure, no guidelines or testing protocols are currently available for conducting an appropriate study of lawn care related exposure. However, EPA is seeking residue dissipation data on a case-by-case basis for new lawn care pesticides, and for older pesticides as they move through the reregistration process. Methods for extrapolating these data to potential exposure need development. EPA has several efforts underway to improve our exposure assessment capabilities. The Agency has been working with Health and Welfare Canada, the California Department of Food and Agriculture, and the National Agricultural Chemical Association to develop experimental protocols for monitoring indoor post- application residential exposure. It is possible that with further research, similar protocols can be used along with mathematical modeling to estimate outdoor residential exposure as well. Also in the area of research, a joint project is being considered between the Agency's Offices of Research and Development and Pesticide Programs to develop testing protocols and other guidance for conducting exposure monitoring studies for assessing all types of human non-dietary exposure to pesticides. This type of methodology research lays the essential groundwork for future data requirements, to better enable EPA to indicate to registrants how to conduct acceptable studies.

QUESTION. How much funding is allocated to this effort?

ANSWER. We expect to allocate 2.0 workyears and $26,000 in extramural support in fiscal year 1991, and 3.0 workyears and $426,000 in fiscal year 1992.

PESTICIDES RESEARCH

QUESTION. The budget report indicates that pesticides research will focus on the areas of neurotoxicity and reproductive toxicity and exposure assessment. I agree that these are areas that need special attention in order for the Agency to conduct adequate risk assessments.

What specific types of research is being considered in these areas?

Will the research on exposures include monitoring of pesticides which would address all potential pathways and routes of exposure following all types of pesticide use?

ANSWER. Neurotoxicity research will focus on two major activities: 1) development and validation of short-term, *in vitro* test methods for evaluating neurotoxicity and 2) determining the adequacy of measures of cholinesterase inhibition as an indicator of neurotoxicity. *Invitro* methods such as tissue and cell cultures have been used to study nervous system development and the etiology of neurodegenerative disease. Although these procedures have been suggested for use in screening chemicals for hazard identification, no systematic effort has been undertaken to validate these tests for routine use in neurotoxicology. This research will address the application and validation of selected *in vitro* systems to be used to identify and characterize potential neurotoxic pollutants.

Recent reviews by the Science Advisory Board and the Science Advisory Panel identified a number of problems associated with determining the risks associated with exposure to cholinesterase inhibitors (e.g., carbamate and organophosphate pesticides). This research will address the following issues identified in these reviews: 1) establish a dose-response data set to evaluate various risk assessment procedures, 2) identify and characterize developmental neurotoxic effects of cholinesterase inhibitors, 3) develop models to accurately assess the effects from acute, repeated exposures, and 4) define an adverse effect not dependent on cholinesterase levels (i.e., neurobehavioral or neurophysiological measures).

Reproductive risk assessments are currently conducted with data obtained from multi-generational tests that rely on fertility and pregnancy outcome. These measures of reproductive outcome are insensitive and provide limited information on the site and mechanism of action, the heritability of chemically-induced lesions, and the hazards and risk associated with high, short-term exposures. Research in this area will focus on independently validating the EPA developed Alternative Reproductive Tests (ART) which measures a wide array of more sensitive and specific-endpoints in males, and both pregnant and non-pregnant females. In addition, specific short-term tests for evaluating sperm/egg production, release and function will be developed. These developments will provide better methods to detect and characterize reproductive risks.

Exposure assessment is widely recognized as one of the more uncertain components of the risk assessment process. Specific pesticide exposure needs exist in the areas of dermal absorption, residential exposure, and development of immunoassay based personal monitoring devices. Our program will focus on these three areas. Dermal exposure research will focus on improving our ability to determine: the transfer of chemicals from surfaces to skin; the bioavailability of chemicals on various surfaces (e.g. soil, dust, products); and to identifying human activity patterns, such as duration and frequency of exposures, which impact overall exposure levels. The residential exposure research will focus on assessing exposure to pesticides in homes, yards, and gardens, particularly to children, after the use of consumer products. Finally, immunoassay based personal monitoring devices will be developed for use by agricultural field workers to determine exposure and when it is safe to reenter recently sprayed fields.

The specific exposure research areas identified above are those that represent the highest priority research needs for pesticides. Although all potential exposure pathways are of concern to the Agency, the highest priority research needs are in the areas of dermal exposure. Dermal exposure is the primary route of exposure for most individuals and the least understood. The residential exposure research will encompass investigations of the dermal, inhalation, and oral routes of exposure, for example hand-to-mouth exposure in children. A major product of this research will be a guidance document on how to conduct residential exposure studies that are required for the reregistration of pesticides. The Agency is coordinating the entire pesticides exposure research program with Health and Welfare- Canada, the California Department of Food and Agriculture, the pesticide industry, and academia to develop the most comprehensive research program possible.

COASTAL AMERICA INITIATIVE

QUESTION. What is the Coastal America initiative? What specifically will these agencies do under this program? If the funding is intended to support projects, what type of projects and how will they be selected? Is Coastal America intended to address new projects and needs, or does it represent a re-labeling of current and ongoing activities? Most important, how will actions under this initiative be coordinated and made consistent with existing plans and activities under State water quality and State coastal zone management programs? How will these actions be coordinated with those authorized by congress last session—I refer specifically to the provisions of Senator Mitchell's Coastal Protection Act which passed under Budget Reconciliation and creates monitoring and research centers for the coastline of this country?

What specific activities will EPA implement as part of Coastal America? Is the $6 million in EPA funds for Coastal America new budget authority? If not, which current EPA activities will be reduced in order to support Coastal America?

ANSWER. Coastal America is a joint initiative, among EPA, NOAA, the Corps of Engineers, and the Department of the Interior, facilitated by the President's Council on Environmental Quality. The goal of Coastal America is to demonstrate successful models of action to conserve, protect, maintain, and restore the Nation's coastal living resources. The initiative will ensure cooperative management at the National, regional, and watershed levels, focusing action on three major problems—habitat degradation and loss, nonpoint source pollution, and contaminated sediments.

The creation of Coastal America complements other Administration actions to protect coastal living resources, and will integrate existing Federal authorities and programs with State, local, and non-governmental. The four agencies' collective scientific and management expertise will be brought to bear on known problems and management issues that are not currently being addressed or those that may fall outside the scope of any one agency. These efforts will ensure that our stewardship of coastal living resources is coordinated, efficient, and successful. As such, there will be new projects targeted at existing needs identified by the Coastal America partners as requiring interagency action.

Specific action projects under this initiative will be selected through a cooperative process involving Federal agency representatives from headquarters and field offices and the coastal States. Within each coastal region, priorities will be established jointly by the Federal and State partners in the Coastal America initiative. State involvement in priority setting and project identification and selection will ensure coordination and consistency with ongoing State water quality and coastal zone management programs.

Details of the project selection process are still under discussion. Among the likely criteria for project selection are multiple party involvement, focus on one of the three major problems, and expected benefits to living resources. To the extent that the monitoring and research centers under the Coastal Protection Act have recommended actions on one of the three problems that are regional priorities, such actions will be considered for funding. The focus of Coastal America, however, is implementation and action, not planning, research, or monitoring.

It is too early to list specific EPA implementation activities under Coastal America, as no projects have been funded yet. EPA will add its expertise in wetlands management, nonpoint source control, contaminated sediment issues, and estuarine management to Coastal America projects as appropriate. The $6 million in EPA funds for Coastal America is new budget authority.

NONPOINT SOURCE FUNDING REDUCTION

QUESTION. In a report to Congress, EPA maintains that nonpoint source pollution may represent as much as half of the remaining water quality problems; it is certainly of enormous concern to us in Connecticut. Why is this fact not reflected in the President's budget request? Looking back over the history of funding for nonpoint source pollution control, I find myself a little confused. A total of $400 million was authorized for this program. Until 1991, the Administration never requested any of it. In 1991, Congress gave the Administration $48.5 million, even though it only asked for $15 million. The Administration acknowledges the potentially huge problem that nonpoint represents, and then this year asks for only half of what we gave it last year. Could you explain this sequence of events to me?

ANSWER. A series of reports by the Science Advisory Board have documented that nonpoint source (NPS) pollution causes or contributes to a relatively large percentage of waterways still at risk because they are not meeting water quality standards or are otherwise impaired.

NPS problems have recently emerged as more significant in part because EPA and the States have successfully focussed their attention and resources over the last 20 years on controlling point sources of water pollution. Our success in point source control must be maintained which requires a continuing and sustained investment in a wide variety of non- discretionary and appropriate obligations.

The Agency's fiscal year 1992 section 319 grants request (which is an increase over our fiscal year 1991 request) must be viewed in the context of the fiscal year 1990 and 1991 appropriations already providing $89.5 million for section 319. It must be recognized that NPS is fundamentally a local problem which is most amenable to local solutions. The Federal role is to enable the State and local governments to devise and implement appropriate solutions to NPS pollution, a role which is adequately supported by the Agency's fiscal year 1992 request. Given the emerging nature of NPS programs in many States and the need to assure that NPS monies receive adequate EPA and State oversight, we believe our fiscal year 1992 request is prudent and will result in measurable progress in reducing NPS risks.

USE OF NEW TECHNOLOGIES IN NONPOINT SOURCE POLLUTION

QUESTION. To what extent are projects that have been funded with section 319 grants being used to demonstrate new technologies to manage nonpoint source pollution? What steps is EPA taking to encourage greater use of new technologies and management options?

ANSWER. A substantial proportion (close to one-half) of section 319 funds were used to fund demonstration projects. EPA expects to continue to fund demonstration projects in the section 319 program.

It is important to note that a considerable and growing body of knowledge supports the conclusion that many highly effective and cost-effective practices are already available to control nonpoint source pollution. For example, conservation tillage and nutrient management are two widely recognized and increasingly used means to limit off-site pollution of waters by sediments and nutrients, and they often have been found to either cost very little or, in some cases, provide a net economic benefit to the farmer through savings in labor, energy and fertilizers. These methods, while not "new technologies," still require further research and demonstration to verify and quantify estimates of their effectiveness in a wide variety of geographical, hydrological and production settings. EPA expects, therefore, that some of the important demonstration projects will involve refinement of some existing techniques, while other demonstration projects will address entirely new approaches.

CWA RECOMMENDED CHANGES

QUESTION. I think it's safe to say that this country has not seen any significant progress in the control of nonpoint source pollution since the program was established in 1987. What changes would you recommend as this committee considers the reauthorization of the Clean Water Act in this congress?

ANSWER. It is too soon to tell whether the nonpoint source control program established by Congress in 1987 has yet begun to effect significant water quality improvement. In response to this legislation, States first conducted nonpoint source assessments and then developed nonpoint source management programs; most States have only begun implementing their approved nonpoint source management programs in 1990.

We are currently considering the progress of the National nonpoint source program as well as of watershed programs, such as the Chesapeake Bay program, that began nonpoint implementation work prior to 1987. We may make recommendations on legislative changes based upon the experiences of these programs.

RESPONSES TO QUESTIONS FROM SENATOR METZENBAUM

BONUS EMISSION ALLOWANCES

QUESTION. I want to ask you about your implementation of the acid rain provisions under the 1990 Clean Air Act Amendments. Some controversy has arisen over the distribution of bonus emission allowances for utilities that install scrubber technology. There is a limited pool of allowances available and EPA may receive more applications for these allowances than can be accommodated. I would hope EPA plans to distribute these allowances in such a way as to not discourage installing scrubbers. Thousands of high sulfur coal jobs in my State of Ohio and elsewhere in the region depend on this. Can you please comment?

ANSWER. You have raised an issue which has received significant attention in the Agency's Acid Rain Advisory Committee and in other forums that related to the allocation of Phase I extension allowances. As you know, the legislation has set aside 3.5 million allowances which are available for distribution to affected units employing 90 percent control technologies—essentially, scrubbers. Such affected units are also eligible for a two year compliance extension. These bonus allowances are to be distributed to applying units in order of the receipt of their extension application. As you noted, the problem arises because of the likelihood that this reserve of 3.5 million allowances will be oversubscribed on the first day.

The issue of how to handle the case of oversubscription has been hotly debated, and EPA has found the suggestions useful. In short, we have reviewed a number of approaches including:

- a stand in line approach—meaning that a line would form at EPA to determine which application is received first.
- a lottery approach—a rank order is developed from the lottery, and has a similar result to the stand-in-line approach
- a pro-rata approach—each applicant would receive a proportional share of the allowances requested.
- a modified pro-rata approach—where once the proportional share is determined, individual applicants would be able to drop out, with a second, final proportional cut made to the remaining applicants.

In our own Acid Rain Advisory Committee, there is a diversity of viewpoints. We have also heard from a number of participants in the legislative debate who take different positions regarding the flexibility provided by the "in order of receipt" language. EPA is taking these and other suggestions on allocating these allowances into account as it moves forward to implement this important provision. While no decision has as yet been made, it is clear that the implementation of this provision through any one of the above noted options will, in fact, encourage scrubbing. This scrubber incentive is inherent in the provision which EPA will try to carry out in a straightforward and neutral manner.

LEAD REDUCTION RESOURCES

QUESTION. The Administration is focusing on lead abatement in a major way. That's good news because lead poisoning is a very serious health problem, particularly for children. Could you elaborate on EPA's role in the Administration's lead reduction strategy?

ANSWER. The EPA is playing a leadership role in addressing the problem of lead paint poisoning, as well as lead poisoning or exposure from other media.

In EPA's integrated lead strategy, EPA defines its role on this issue to develop regulatory and non-regulatory approaches, using existing legislative authorities, to reduce lead exposures, and to limit the amount of lead needlessly introduced into the environment. This approach takes into account all sources and routes of lead exposure, including paint, and considers all resources that can be brought to bear on this serious environmental problem. Specifically, with regard to EPA's technical assistance to HUD, which is not only being conducted to allow HUD to meet its legislated requirements, but also to take advantage of these same authorities and the established working relationships that HUD has with the EPA regional offices and local levels of government related to the lead paint problem in public, and some private, housing. EPA's approach is to provide technical assistance and guidance as HUD meets its legislative mandates. The EPA strategy will also include looking into lead in soils, non-residential lead- based paint, drinking water, and other exposure routes.

QUESTION. I'm particularly interested because the City of Cleveland recently received a grant from the Center for Disease Control to screen lead levels in children.

Now, they are looking for funding sources for a lead abatement program. Does EPA have the money to help them? Could you use Superfund money?

Answer. OTS does not envision utilizing any of the resources requested for 1992 to fund lead abatement efforts on behalf of the Center for Disease Control. Other vehicles are available for local officials to seek assistance. For example, public housing authorities and major urban centers will receive assistance for lead-based paint abatement from HUD.

NONPOINT SOURCES GRANT REDUCTION

Question. Nonpoint source pollution is a major source of pollution to the Great Lakes. EPA itself said that nonpoint sources of pollution are responsible for 76 percent of the pollution loadings to the Nation's lakes. Why did you cut the grants program to help States deal with this critical problem?

Answer. Recognizing the serious risks posed by NPS pollution, the Administration for the first time requested funds for the section 319 NPS program grants to States in the President's fiscal year 1991 Budget.

The Agency's fiscal year 1992 section 319 grants request (which is an increase over our fiscal year 1991 request) must be viewed in the context of the fiscal year 1990 and 1991 appropriations already providing $89.5 million for section 319. It must be realized that NPS is fundamentally a local problem which is most amenable to local solutions. The Federal role is to enable States and local governments to devise and implement appropriate solutions to NPS pollution, a role which is adequately supported by the Agency's fiscal year 1992 request. Given the emerging nature of NPS programs in many States and the need to assure that NPS monies receive adequate EPA and State oversight, we believe our fiscal year 1992 request is prudent and will result in measurable progress in reducing NPS risks.

GREAT LAKES FUNDING

Question. Last year, I succeeded in increasing the authorization level for EPA's Great Lakes National Program Office to $25 million. This office carries out a wide range of important activities, everything from water sampling, to evaluating sediment cleanup technologies, to working with the Canadians to set water quality standards and lakewide-management plans. Your fiscal year 1992 budget provides only $13 million for this office. Why?

Answer. The Agency is requesting approximately $44 million for the Great Lakes Program, which represents a $18.6 million increase over last year. This money supports activities related to water quality, research and enforcement, among others. In fiscal year 1992, the Agency's Great Lakes Initiative will consist of a multi-media, risk-based and geographically targeted approach to addressing pollution problems throughout the Great Lake Basin.

NEW GREAT LAKES INITIATIVE

Question. I'm very pleased with EPA's budget request of over $18 million for a new Great Lakes initiative to supplement work underway within the basin. Apparently, you are earmarking money in various EPA program offices for this initiative. You are setting aside money in the Offices of Water, Enforcement, Solid and Hazardous waste, Research and Development, etc. This coordinated, agencywide approach to help protect the Great Lakes is a new way of doing things, isn't it? I don't mind you using the Great Lakes as a grand experiment, especially if you help restore and protect the Lakes. Would you like to comment on your initiative?

Answer. Fiscal year 1991 marks the beginning of a new era in the U.S. EPA's approach to environmental protection in the Great Lakes. In the past, EPA programs have worked diligently if independently to control the release and/or transport of pollutants on an end-of-pipe, media-by-media basis. Over the last 20 years, this approach has achieved remarkable success in reducing levels of many traditional pollutants in the Great Lakes basin.

Yet, despite the demonstrable success of our past efforts, many environmental goals have not been attained, and, in some cases, problems have become more complex and serious. Today, there is growing recognition that our traditional approach to environmental protection has often simply redistributed problems through the natural system, seldom solving them. It has become clear that, if we are to protect and restore the Nation's heritage in the Great Lakes, we must adopt a more holistic integrated approach to ecosystem management.

Fiscal year 1991 will be a year of transition. A model approach based on ecological perspectives will be taking shape in the Great Lakes. For the first time, all the Agency's programs will join in a cooperative, integrated effort to direct a critical mass of resources to address problems on a holistic ecosystem basis. The hallmark of the effort will be cost-effective pollution prevention as the preferred option for reducing risk. This will be buttressed by the Agency's traditional regulatory activities, which will be integrated across program lines to craft specific solutions tailored to local circumstances. We are determined to avoid "solving" problems by merely moving them around. In addition, EPA will make use of a much broader array of tools, including market incentives and education and information. In putting the pieces together, EPA will seek the support and involvement of States, and the National governments and citizens of the United States and Canada.

The Agency has defined two fundamental objectives:

Objective 1: Prevent and reduce the release and deposition of harmful toxic pollutants from all sources into the Great Lakes ecosystem, and remediate in-place toxic pollutants to levels that provide:

- Water quality and sediments capable of sustaining populations of the most sensitive native living resources (aquatic and terrestrial) that comprise the Great Lakes ecosystem;
- Drinking water and fish that are safe for human and wildlife consumption; and
- Air quality that protects the health of the most sensitive human populations and the integrity of the Great Lakes ecosystem.

Key activities include:

- Cost-effective prevention of future discharges of toxic pollutants, with special emphasis on persistent, bioaccumulative pollutants from all sources;
- Abatement of continuing discharges and emissions of toxic pollutants from all sources; and
- Remediation of in-place sources of toxic pollutants from all sources ("toxic hot spots").

Objective 2: Provide for the further recovery of native species, and enhance the biological diversity and stability of the Great Lakes Basin through the protection, restoration, and creation of important aquatic, semi-aquatic, and terrestrial plant and animal habitats.

Key activities include:

- Inventory existing aquatic, semi-aquatic, and terrestrial habitats;
- Mobilize U.S. EPA binational interagency efforts to protect and manage remaining habitats of importance to Great .Lakes basin plants and animals, including the active participation/support of U.S. and Canada to control the spread of exotic species; and
- Mobilize U.S. EPA binational, interagency efforts to mitigate lost habitats and restore remaining habitats.

In fiscal year 1992, EPA is finally implementing the Great Lakes Basin Initiative: a multi-media, geographically based approach in the Great Lakes, an approach that we hope will produce useful lessons which we can apply throughout the Agency and adapt to other ecosystems. This new approach is characterized by geographically focused, targeted, and risk-based actions designed to maximize and quantify environmental benefits by emphasizing pollution prevention as the preferred alternative, combined with traditional pollution treatment and control actions and newer non-traditional tools such as market incentives and education/outreach. We will also put a greater effort into completing ongoing planning processes, and implementing plans where the environmental risks and opportunities for improvement are greatest.

To promote coordination and to successfully implement this multi-media approach, three principal institutional mechanisms are being utilized. They are the Great Lakes Advisory Committee, the Great Lakes State Environmental Administrators and the U.S. Great Lakes Policy Committee.

The traditional media-by-media approach to environmental management does not always serve the best interest of the ecosystem as an interrelated whole. The multi-media strategy in the Great Lakes effort proposes a holistic approach, which will build on the effectiveness of traditional regulatory approaches as it defines and implements pollution prevention and other non-traditional program activities.

Pollution prevention is essential to reduce releases of pollutants of concern into the Great Lakes. Pollution prevention demonstration projects are being developed to complement the Bi-National Great Lakes Pollution Prevention Strategy and the U.S. Pollution Prevention Action Plan. These demonstration projects are geared to industries including the automotive and pulp and paper industries and to targeted Lake Ontario Communities, providing urban nonpoint source demonstration projects. All of these activities are part of a Great Lakes pollution prevention challenge project.

The long range goals of the proposed Five-Year Strategy for fiscal year 1992-1996 for the Great Lakes address three major objectives. They are to: 1) reduce toxic loadings; 2) protect and restore habitat/species; and 3) control nutrients. During 1992, the initial focus will be on reducing toxic loadings and on habitat/species protection.

DELAYS IN SUPERFUND CLEANUP EFFORTS

QUESTION. I'm concerned about EPA's Superfund program. In my State of Ohio, cleanup efforts at Superfund sites have been proceeding very slowly. I don't believe Ohio's situation is unique. why are the cleanups progressing so slowly?

ANSWER. Cleaning up the hazardous waste sites in the United States is a very complex and lengthy process and requires the participation of many players. Negotiations with a potentially responsible party (PRP) can be quite long. Involving a community throughout all aspects of the cleanup process is a sensitive and time consuming process. State involvement at a site is also necessary and again, usually requires a period of negotiation. The involvement of so-many players in the cleanup process is necessary but is also subject to many delays. Specifically, Remedial Actions (construction) have been initiated at six of the thirty-four NPL sites in Ohio. Five of these sites have completed the construction phase. In addition, construction will soon begin at an additional six sites where either a Consent Decree settlement is awaiting approval by a Federal Court or where EPA has issued an order for PRPs to conduct the cleanup. The delay at Ohio Superfund site is primarily during the remedial investigation/feasibility study phase. Most of these investigations/studies are being conducted by the PRPs.

CLEANUP EFFORTS IN UNIONTOWN, OHIO

QUESTION. One Superfund site in Ohio has been particularly troublesome. That site is the Industrial Excess Landfill in Uniontown. As you know, I've been very involved in the effort to clean up this site in an adequate manner. It has been a very lengthy process. Yet I still don't believe EPA has sufficient data as to the true extent of contamination at the site. For instance, we've been battling U.S. EPA Region 'V for some time about doing sufficient radiation testing. There are very specific tests which should be performed to get adequate data. We need this data to provide the basis for a sound and comprehensive cleanup. What are you going to do to ensure that this is accomplished?

ANSWER. We are currently in the process of finalizing the planning documents for the design investigation at the Industrial Excess Landfill site. This additional data collection effort should be initiated in late Spring 1991 and completed by late Fall 1991. We are conducting extensive radiation testing of the groundwater on and near the site to determine if radiation contamination is a problem at the site. We are continuing to coordinate our data collection efforts with the community and elected officials through the Industrial Excess Landfill Technical Information Committee. We have provided both your staff and Senator Glenn's staff with extensive documentation and explanation of our radiological testing program, and remain ready to discuss our approach further.

We believe this approach to the additional data collection is Scientifically sound and supportable. The data from this summer's sampling efforts will provide a good basis for the design and implementation of the selected remedy. If the data collected during this design investigation indicates the selected remedy will not be protective of public health or the environment, we are committed to revisiting and amending the selected remedy to provide a sound and comprehensive cleanup.

RESPONSES TO QUESTIONS FROM SENATOR CHAFEE

SAB RISK REDUCTION

QUESTION. In October, EPA's Science Advisory Board issued its report which focused on risk reduction. How does the EPA budget support this risk reduction theme?

ANSWER. The Agency's senior managers have been using the SAB report and its predecessor "Unfinished Business" as a key reference point for the strategic planning and budget development process which yielded the fiscal year 1992 budget proposal. As part of the same process, several of our Regional Offices analyzed the comparative risks among 22 different environmental problem areas and have recommended shifts in the use of Agency resources to better address the highest risks. Thus, risk reduction has become one of the primary criteria we use in evaluating the potential of each new initiative, or proposal for change.

Of course, the SAB recommendations are not the only criteria we have used to construct our budget priorities. We have paid careful attention to the statutory requirements set out by the Congress and to the appropriate role of the Federal Government in implementing environmental programs. For example, we are focusing carefully on the detailed and extensive requirements of the recent amendments to the Clean Air Act and FIFRA.

Many of the new investments called for in these laws address areas of high risk, such as hazardous air pollutants and food safety. Over the longer term, our continuing objective is to focus new investment and effort in those areas which present the greatest opportunities to reduce environmental and human health risk.

EXECUTIVE ORDER ON WETLANDS

QUESTION. EPA's fiscal year 1992 budget justification makes mention of a "new Presidential Executive Order on wetlands protection." Is development of such an Executive Order underway? If yes, what is its scope and content? And is it a product of the Domestic Policy Council's Wetlands Task Force?

ANSWER. President Bush's 1990 budget message to Congress called for an Executive Order on Wetlands as one possible mechanism to implement the President's wetlands goal of no net loss. EPA's budget will allow it to work on this issue as well as the host of other issues under discussion in the Domestic Policy Council's (DPC) Wetlands Task Force. The Task Force has considered using an Executive Order as one vehicle for implementing recommendations on "no net loss." However, to date, the Task Force has not made final decisions on its recommendations nor on the mechanisms to implement them.

WETLANDS DELINEATION MANUAL

QUESTION. I understand the agencies involved in the "Federal Manual for Identifying and Delineating Jurisdictional Wetlands" (EPA, COE, FWS, SCS) are working on technical corrections designed to address problems with the 1989 manual. When do you expect these corrections to be completed and in effect?

ANSWER. The Federal Interagency Committee for Wetland Delineation has briefed the Principals of the four agencies involved with the Manual on their recent recommendations. Field survey forms have been sent out by all four agencies to obtain additional information from their field staff. Responses are due later this month (March). Final decisions based upon that information are expected in late March/early April. There will be some opportunity for public comment after that.

The intent of these revisions is to improve the effectiveness of the Manual based both on our experiences and on issues raised during the comment period.

INCREASE IN STATE WETLAND GRANTS

QUESTION. EPA's wetlands budget reflects a significant increase in grants to States. Do you expect that most States will take advantage of this Federal seed money?

ANSWER. Yes. In fiscal year 1990, Congress, for the first time, appropriated money specifically to support development of State wetlands protection programs. The new State wetlands grant program responded to ongoing needs that the States had expressed for Federal assistance for wetlands protection. The demand for funding exceeded the $1 million appropriated in fiscal year 1990. EPA received approximately 50 applications for funding—from 35 States, 4 Indian Tribes, 1 territory, and 1 local community. The funds requested by these applications totalled approximately $3 million in Federal funding for $5 million of total project costs.

In fiscal year 1990, EPA awarded 23 grants to 21 States and 1 Indian Tribe. In fiscal year 1991 the Administration's budget first requested funding of the grants. Applications for funding from the $5 million appropriated in fiscal year 1991 are being reviewed at this time. However, EPA anticipates funding requests from most States. Preliminary discussions with EPA's regional office staff indicate that the demand for funding will far exceed the $5 million appropriated to support this effort in fiscal year 1991.

QUESTION. Is interest in State assumption of the program increasing?

ANSWER. While several States are currently working toward formal assumption of the 404 permit responsibility (i.e., New Jersey and Delaware), State assumption is not the primary interest of most States. However, many States are interested in developing effective wetlands protection programs, including regulatory and non-regulatory components. As these States develop and implement their wetlands protection programs, State assumption might become a more attractive option.

Question. Please provide examples of some of the most successful instances where EPA wetlands grants have contributed towards development of State wetland protection plans.

Answer. EPA's Office of Wetlands Protection has awarded grants to States since the early 1980's. Since these grants were funded out of traditional extramural funding, they had to compete for funding with many other activities. These small grants funded such activities as assisting Michigan and Rhode Island develop experience in wetlands permitting, in developing permit tracking capability- in Oregon, and in assisting Pennsylvania to develop a joint permit application with the Corps of Engineers.

In fiscal year 1990, Congress, for the first time, appropriated money specifically to assist States develop wetlands protection programs. Financial assistance to States to prepare State wetlands protection plans was first made available in 1990. The State grants awarded in fiscal year 1990 covered a wide range of activities to support the initial development of new or refinement/enhancement of existing State wetlands protection programs. The grant program opened many opportunities for the States to be creative in thinking about ways to improve wetlands protection.

States that have active wetlands protection programs looked upon this new grant program as an opportunity to increase or build upon their programs. However, other States that currently are not active in the wetlands protection arena looked at this as a chance to assess existing authorities, to develop recommendations for new programs and legislation, to consider how to fit wetlands into existing programs, to develop public support for these ideas, and to move forward toward more protection for the resource.

Several States (Michigan, South Carolina, and Oregon) are using this as an opportunity to develop their wetlands water quality standards and to improve their 401 water quality certification programs to include wetlands. New Hampshire and Connecticut are acquiring and implementing geographic information system (GIS) capability to better track permit applications to monitor statewide trends in wetlands development and losses; to conduct long- and short-term analyses of wetlands impacts on a statewide basis as well as within a particular geographic region of the State; and to target specific areas for increased local assistance or basin planning. Delaware used this grant opportunity to demonstrate the multiple-use values of wetlands to the farm community. Vermont is using the grant program to develop a pilot project to demonstrate the potential of coordinating State agencies, regional planning commissions, and municipal governments in planning for local resources.

WETLANDS ADVANCE IDENTIFICATIONS

Question. Has EPA's wetlands advance identification program helped to reduce problems with regard to permit applications and planned activities within wetlands in these areas?

Answer. Yes. The advance identification process, which allows EPA and the Corps of Engineers to distinguish the values of a wetland area in advance of permit applications, has reduced problems with planned activities in wetlands by increasing public/landowner awareness of wetland values and the requirements for section 404 permits. Information generated and disseminated from advance identification studies serves to educate the regulated community and, more importantly, gives them a preliminary indication of whether a permit is likely to be issued for fill activities in a particular wetland site. Thus, the results of advance identification have allowed the regulated community to avoid potential problems and make more informed decisions regarding the use of wetland resources. In general, advance identification studies have proven to be a valuable tool in EPA's overall effort to protect valuable wetland resources.

Question. What portion of your wetlands budget increase will be directed to this program?

Answer. Of the 18 additional workyears requested for wetlands protection, approximately 11 are targeted to anticipatory approaches, including advance identifications and special area management plans. Approximately $500 thousand in new extramural resources will be invested in these activities.

WETLANDS PROTECTION EDUCATION/OUTREACH

Question. EPA's budget justification stresses the importance of stepping up educational and outreach efforts with regard to wetlands protection. Please describe these efforts.

Answer. The Domestic Policy Council's Task Force on Wetlands is considering wetlands public outreach options and needs, including the need to: (1) increase educational and outreach programs to target groups and the general public; (2) coordinate messages on wetlands regulation among Federal agencies; (3) increase local governments' awareness of the requirements of the section 404 program in order to facilitate a better understanding by the general public and the regulated community; (4) increase advance identification efforts; (5) provide additional financial resources for outreach and education; and (6) increase coordination of section 404 activities with the wetlands programs included in the 1990 Farm Bill.

EPA's Office of Wetlands Protection is initiating several broad public outreach efforts. On March 18, the Wetlands Protection Hotline began operation. This is an 800 telephone service which State and local government officials, private landowners and others can call for information on Federal wetlands protection. This service is designed to make it easy for the public to get information about EPA's wetlands protection activities as well as those of other Federal agencies. The Hotline will provide callers with answers to basic questions about Federal wetlands protection laws, regulations, procedures and assistance programs. It will also provide callers with the names, addresses and telephone numbers of key Federal agency staff that the public can contact for more specific information. Select wetlands publications are also available through the Hotline.

Recognizing the need to respond to public interest in the values and functions of wetlands, EPA, in cooperation with other public and private organizations, is working to establish a nationwide celebration in May 1991—"American Wetlands Month." The goal of this event is to increase public awareness of the values and importance of wetlands areas, encourage people to take advantage of the unique opportunities these areas have to offer, and take action to protect, enhance, or restore wetlands areas in their communities. EPA is working cooperatively with other Federal, State and local governments and private organizations to arrange a series of events and activities to celebrate American Wetlands Month.

EPA's Office of Wetlands Protection is also working on or considering other cooperative wetlands public outreach efforts such as working with the Audubon Society to develop a cooperative project focused on public education and local wetlands protection.

NATIONAL ESTUARY PROGRAM IMPLEMENTATION

QUESTION. The National Estuary Program (NEP) is coming of age. Several of the management conferences, including Buzzards Bay, Puget Sound, and Narragansett Bay, are in the final stages of completing their Comprehensive Conservation and Management Plans (CCMPs). Arguably, the NEP is entering into the most critical phase: the implementation phase. Does EPA plan to maintain a strong Federal presence to oversee the implementation of the CCMPs? Has EPA considered what funding level it will need to play a role in implementation?

ANSWER. The schedule for submission of Comprehensive Conservation and Management Plans (CCMP) developed under the National Estuary Program (NEP) is as follows:

Puget Sound	January 1991
Buzzards Bay	July 1991
Long Island Sound	November 1991
Narragansett Bay	December 1991
Albemarle-Pamlico Sounds	November 1992
San Francisco Bay	November 1992
Santa Monica Bay	October 1992
Delaware Inland Bays	October 1993
New York-New Jersey Harbor	June 1994
Sarasota Bay	June 1994
Galveston Bay	September 1994
Delaware Estuary	October 1994
Massachusetts Bays	September 1995
Casco Bay	Under negotiation
Indian River Lagoon	Under negotiation
Tampa Bay	Under negotiation
Barataria-Terrebonne Estuarine Complex	Under negotiation

To date the only CCNP that has been completed and submitted for the Administrator's approval has been for Puget Sound.

EPA funding for the National Estuary Program has been established through a bell curve model that has been developed to provide a general guide for the three phases during the five years of the Management Conference: Planning Initiative, Characterization and Problem Definition, and CCMP Development. Other characteristics, including size of the estuary, population and severity of problems are also factored in to the final decision.

Section 320(g) of the Clean Water Act (CWA) states that the Administrator is authorized to provide grants for research, surveys, studies, modeling and other technical work necessary for the *development* of a CCMP. EPA is not authorized under this section of the statute to make grants for implementation of a CCMP. However, section 320(f) (2) of the CWA states that funds appropriated under Titles 11 and VI and section 319 of the CWA may be used to assist States with implementation of the CCMP. Furthermore, it is expected that Federal agencies with responsibilities to implement CCMP, including EPA, will do so using funds normally available to their programs operating within the estuary. Limited administrative support funding of the management Conference will also continue, after approval of the CCMP, to oversee its' implementation.

GOAL OF COASTAL AMERICA INITIATIVE

QUESTION. How will projects be chosen for funding under the Coastal America initiative? Does the Administration plan to seek legislative authority for the program? Specifically, what are the goals and objectives of the program?

ANSWER. The goal of Coastal America is to use existing statutory authority to demonstrate successful models of action to conserve, protect, maintain, and restore the Nation's coastal living resources. The initiative will ensure cooperative management at the National, regional, and watershed levels, focusing action on three major problems -habitat degradation and loss, nonpoint source pollution, and contaminated sediments.

The Administration does not seek new legislative authority. The creation of Coastal America complements other Administration actions to protect coastal living resources, and will integrate existing Federal authorities and programs with those of State, local, and non-governmental organizations. The four agencies' collective scientific and management expertise will be brought' to bear on known problems and management issues that are not currently being addressed or those that may fall outside the scope of any one agency. These efforts will ensure that our stewardship of coastal living resources is coordinated, efficient, and successful.

Specific action projects under this initiative will be selected through a cooperative process involving Federal agency representatives from Headquarters and field offices and the coastal States. Within each coastal region, priorities will be established jointly by the Federal and State partners in the Coastal America initiative. Details of the process are still under discussion. Among the likely criteria for project selection are multiple party involvement, focus on one or more of the three major problems, and expected benefits to living resources.

EPA/NRC REGULATORY CONFLICT

QUESTION. Has either the EPA or the NRC determined whether or not a statutory, rather than a regulatory, requirement currently exists that would put generators of mixed waste in a situation where noncompliance with one statute is guaranteed as a result of compliance with the other? If so, what are your recommendations for resolving these conflicts?

ANSWER. After a joint effort to assess their respective statutory and regulatory requirements, EPA and NRC have concluded that there are no conflicting statutory requirements under RCRA and AEA which result in a situation where mixed waste generators complying with the requirements of one statute are in non-compliance with the requirements of the other statute. There is some concern that RCRA testing requirements may violate ALARA with respect to keeping radiation doses "as low as reasonably achievable". However, mixed waste generators may often use their knowledge of their production process in lieu of actual waste testing. so it is not clear that there is an inconsistency.

QUESTION. Have the two Agencies identified any regulatory requirements that flow from each Agency's implementation of their respective responsibilities that put generators in such a situation? If so, how does EPA intend to resolve this problem?

ANSWER. As noted earlier, the Agencies have jointly assessed their regulatory requirements and concluded that there are no existing regulatory requirements under RCRA and AEA which pose irreconcilable conflicts in the sense that compliance with one set of regulations necessarily results in non- compliance with the second set of regulations.

The Agencies have agreed to bridge potential procedural differences, address inconsistencies, and clarify other issues through joint guidances. Thus far, the following have been issued: Guidance on the Definition and Identification of Commercial

Mixed Low-Level Radioactive and Hazardous Waste and Answers to Anticipated Questions (January 8, 1987); Combined NRC-EPA Siting Guidelines for Disposal of Commercial Mixed Low-Level Radioactive and Hazardous Waste (Directive Number 9480.00–14, June 29, 1987); Joint NRC-EPA Guidance on a Conceptual Design Approach for Commercial Mixed Low-Level Radioactive and Hazardous Waste Disposal Facilities (Directive Number 9487.00–8, August 3, 1987); Low-Level Mixed Waste, A RCRA Perspective for NRC Licensees (EPA/530-SW-90-057, August 1990); Memo to All NRC Licensees: Guidance on the Land Disposal Restrictions' Effects on Storage and Disposal of Commercial Mixed Waste (Directive Number 9555.00–01, September 28, 1990).

MIXED WASTE GENERATORS IMPLEMENTATION

Question. Since the issue confronting generators of mixed waste is one of implementation (lack of technology for the treatment of mixed waste or the lack of disposal capacity), does the Agency intend to address this issue? If so, what is the intended schedule?

Answer. EPA recognizes that there is currently a shortage in available treatment technology and disposal capacity for mixed waste, and that this shortage may be burdensome, particularly for small commercial mixed waste generators (e.g., hospitals, universities, and research facilities). In recognition of this problem, a national capacity variance for land disposal restrictions for first, second, and third-third wastes is in effect until May 1992. This variance means that these untreated wastes are not prohibited from storage or disposal. In addition, a Federal Register notice will soon be published discussing enforcement of the land disposal restrictions storage requirements. The notice will provide for lower enforcement priorities for facilities that meet certain criteria, e.g. the amount of mixed waste generated and compliance with other RCRA storage requirements. Finally, EPA is preparing an Advance Notice of Proposed Rulemaking (ANPR), which requests information on the availability of existing treatment technologies for wastes newly identified by the new toxicity characteristic (including mixed wastes) for purposes of identifying treatment methods and developing best demonstrated available treatment (BDAT) standards for these wastes.

SCHEDULE FOR RCRA CORRECTIVE ACTION

Question. In July of 1990, EPA issued its proposed regulations to implement RCRA's so-called "corrective action rule" pursuant to RCRA section 3004(u). When will EPA issue its final rule? If EPA does not plan to issue a final rule within six months; please explain why and provide a detailed time table for final completion of this rule.

Answer. At the present time, EPA is conducting a revised regulatory impact analysis (RIA) for the proposed corrective action rulemaking, in accordance with Executive Order 12296. As stated in the preamble to the proposal, the results of this analysis will be subject to public notice and comment prior to finalizing the rule. Accordingly, the following is our timetable for completion of the RIA and the final corrective action rule:

Event	*Anticipated Date*
Publication of RIA results	May 1992
Comment period on RIA results ends	July 1992
Internal Agency review of final rule	Sept. 1992–Feb. 1993 package
Publication of final rule	June 1993

Question. Please provide a list of major concerns raised by interested parties regarding the proposed rule during the notice and comment period, including a brief explanation of each item listed. In addition, please provide an Agency response for each item of concern identified.

Answer. The following are summaries of the major comments expressed by various interested parties on the proposed corrective action rule, grouped by type of commentors. The Agency has not yet fully analyzed these comments, and thus is not in a position at this time to provide any formal response to them.

Industry

Industry commentors generally expressed concerns in the following areas:

- Definitions of facility, solid waste management unit and hazardous waste are too broad and exceed EPA's regulatory authority.
- Action levels and media cleanup standards are overly stringent and unrealistic.
- Proposed points of compliance are overly stringent.

- Proposed procedures that would allow EPA to modify a permit schedule of compliance without providing the permittee an opportunity for administrative appeal violates due process rights.
- Generally, industry commentors expressed support for proposed provisions for conditional remedies, corrective action management units, and temporary units, although some also expressed the need for more flexibility in these areas in the final rule.

States

- A number of States expressed the need for a structural overhaul of the rule, which was perceived as placing too great a burden on regulating agencies.
- Areas of flexibility in the rule were seen as overly favoring the regulated community, rather than allowing sufficient control by the regulators.
- States expressed concerns regarding difficulties in the enforceability of the rule.
- Several State commentors offered suggestions that would create a regulatory approach for corrective action similar to the existing program for clean closure of hazardous waste units.
- Proposed procedures were also seen as procedurally burdensome for State agencies.
- States generally did not support proposed provision for conditional remedies, especially in regard to potential application at Federal facilities.

Environmental Groups

- These groups expressed general concern regarding the amount of discretion given to the Regional Administrator in making a number of complex and difficult remedial decisions.
- Cost should not be a factor in selecting remedies.
- Proposal does not allow sufficient public involvement at a particular site prior to remedy selection.
- Conditional remedies and corrective action management units - commentors criticized these proposals in terms of not being sufficiently protective of human health and the environment, and being inconsistent with Congressional intent.

QUESTION. What resources has EPA allocated to finalize this rule? If no resources have been allocated, please explain why.

ANSWER. Funding for the corrective action rulemaking is: four workyears and $1 million in fiscal year 1991; four workyears and $900 thousand in fiscal year 1992.

NONPOINT SOURCE REDUCTION

QUESTION. The appropriations request for nonpoint source pollution is only about one-half of the amount that Congress appropriated last year. Recently you came before this committee and said that we should be using the reports on Unfinished Business and Comparative Risk to guide our budget decisions. Nonpoint source pollution scores very high for risk in both of those reports, yet it is proposed that the budget be cut in half. Why?

ANSWER. A series of reports by the Science Advisory Board have documented that nonpoint source (NPS) pollution causes or contributes to a relatively large percentage of waterways still at risk because they are not meeting water quality standards or are otherwise impaired.

NPS problems have recently become more significant in part because EPA and the States have successfully focussed their attention and resources over the last 20 years on controlling point sources of water pollution. Our success in point source control must be maintained which requires a continuing and sustained investment in a wide variety of non- discretionary and appropriate obligations.

The Agency's fiscal year 1992 section 319 grants request (which is a $10 million increase over our fiscal year 1991 request) must be viewed in the context of the fiscal year 1990 and 1991 appropriations already providing $89.5 million for section 319. It must be recognized that NPS is fundamentally a local problem which is most amenable to local solutions. The Federal role is to enable State and local governments to devise and implement appropriate solutions to NPS pollution, a role which is adequately supported by the Agency's fiscal year 1992 request. Given the emerging nature of many States NPS programs and the need to assure that NPS monies receive adequate EPA and State oversight, we believe our fiscal year 1992 request is prudent and will result in measurable progress in reducing NPS risks.

REVENUE RAISING INITIATIVES—ENVIRONMENTAL TAXES

QUESTION. The budget hearing focused on the spending side of the environmental budget. But there is also a revenue side. The Superfund tax raises about one and one half billion dollars per year. The CFC tax is now raising one and a quarter billion dollars per year. And the underground storage tank trust fund adds another $150 million. That's nearly $3 billion from environmental taxes. Do you think it is possible to do more on the revenue side? In addition to raising revenue, pollution taxes could also provide market incentives to reduce waste and risks to health and the environment. I know you can't endorse a new tax, but looking at the very long-run, do you believe that more environmental taxes would be appropriate? And if so, what kind?

ANSWER. An environmental tax may be defined as a national uniform fee per unit of emissions levied on polluters who discharge harmful residuals into the environment. This form of tax is broad based and may not be connected to the local damage caused by the discharge. To the extent that the charge (tax) does not reflect local damages, this form of tax is not economically efficient. On the other hand, if the fee is designed to vary according to damage caused, the administrative complexity may be so great as to be impractical.

Theoretically, there are many activities that cause damage to the environment and which could be charged fees either to provide revenue or to induce reductions in pollution. Pollution fees have merit because they create incentives for pollution reduction and prevention and they allow the pollutor great flexibility to choose the kind of changes that best reduce pollution in a cost effective manner. In addition, market-oriented approaches to pollution control can potentially affect activities that would be extremely intrusive to influence with traditional forms of regulation, while substantially reducing control costs.

Environmental fees are only one of a number of market-based approaches which could introduce powerful economic incentives for improving environmental quality. The desirability of a particular regulatory approach depends largely on individual circumstances. What works for one problem may be inappropriate for another. In addition, before any approach to environmental regulation can be advocated, a careful examination of its effect on competing societal goals should be undertaken.

For the purpose of raising revenues, user fees may be charged to cover the cost of services provided by the government for polluters. For example, fees charged to industrial plants that discharge into municipally owned sewage treatment plants can be designed to cover the cost to the STP of handling the industrial waste. Similarly, fees can be charged for permit writing and the associated monitoring and enforcement costs. These fees also make the polluter aware of the costs they impose on government to manage the discharge disposal system.

As a starting point to this end, the Agency has just released its report entitled *Economic Incentives: Options for Environmental Protection* (Office of Policy, Planning and Evaluation, arch 1991). While the report does not endorse any particular market-based proposal, it identifies various approaches, describes U.S. and international experience with them, and outlines a set of criteria for evaluating these approaches. We hope that the report will stimulate more focused study and debate on incentives.

CAA RESOURCES

QUESTION. I recall in 1988 when the Reagan Administration was opposing the Clean Air bill the Committee had reported, it did a study showing that the full implementation of that bill would require a $30 million increase in appropriations for clean air programs. The bill that was enacted in 1990 was not that much different from the one we had been considering in the previous Congress, yet you've only asked for a $116 million increase to carry it out. To get right to the point, are there parts of the program that we have authorized that you won't be carrying out immediately because you don't have sufficient funds?

ANSWER. In fiscal year 1991, EPA received an increase of 247 workyears and $82.5 million for Clean Air Act implementation. We hired many of the new staff by the end of fiscal year 1990, thus ensuring that we were able to begin work as soon as the President signed the Act on November 15, 1990. For fiscal year 1992, EPA is requesting an increase of 341 workyear's and $117 million. $24.5 million of this increase is for State grants.

The Agency has made conscious choices to defer some lower priority activities in the Act. The resources provided in fiscal year 1991 and in the President's fiscal year 1992 budget request are adequate to accomplish the goals of the Agency's two-year Clean Air Act implementation strategy published on January 15, 1991.

CAA—MONITORING AND MODELING RESOURCES

Question. One of the early critical pieces to implement the fiscal year 1990 Clean Air Act Amendments is air quality monitoring in the non-attainment areas. In the past we have not had good pollution inventories and airshed models to identify the emissions reductions necessary to assure attainment. Does this budget give the States adequate support for inventories and monitoring and air quality modeling?

Answer. Our fiscal year 1992 request includes increased funding for each of these areas and builds upon increases provided for improving ozone and carbon monoxide inventories, networks and modeling support in fiscal year 1991. Our request would allow a significant expansion of State efforts to compile and quality assure inventories required as a part of ozone, carbon monoxide and PM-10 State Implementation Plans (SIPs). Development of comprehensive inventories has been underway since 1988 and continues to receive high priority by both EPA and the States. We recognize that inventory development requires substantial planning, technical support and oversight and our request also provides increased resources which will strengthen our Regional Office and headquarters support of State efforts. Compilation of the baseline inventories is proceeding according to legislated due dates (11/91 for PM-10, 11/92 for Ozone/CO). During fiscal year 1992, the increased resources will be focused on expanding quality assurance efforts by the States and EPA and with development of the capabilities for tracking Reasonable Further Progress (RFP) in emissions reductions.

For air quality monitoring, our request would continue the increased fiscal year 1991 grant funding for enhancements to the ambient networks for ozone, carbon monoxide and nitrogen dioxide. It would also support State/local efforts to begin establishing enhanced networks for monitoring ozone precursors. The precursor networks will be established over a 3-5 year period to comply with regulations being developed in response to section 182 of the 1990 Amendments.

In regard to airshed modeling (required for attainment demonstrations for extreme, severe and moderate ozone areas), the Agency's fiscal year 1991 request for State grants included substantial increases for data base development and preliminary applications of the model. Our fiscal year 1992 request includes additional increases for these activities. To complement this extended airshed work by grantees, EPA has greatly expanded its technical support during fiscal year 1991. Such support includes guidance, training, data base development, model installation and consultation on application. For fiscal year 1992, our request would continue and expand this support.

Based on our fiscal year 1991 contacts with officials from the affected areas, airshed preparations are moving forward and the resources contained in our fiscal year 1992 request should adequately support all required activities.

Responses to Questions From Senator Simpson

CAA—DUAL REGULATION OF NRC LICENSEES

Question. Based on your Federal Register notice published February 15, 1991, you plan to publish a proposed rule to rescind Subpart I for power reactors and stay its effectiveness in the meantime. What is the status of this effort? What is your anticipated schedule to complete the rulemaking?

Answer. On March 8, 1991 EPA issued an Advanced Notice of Proposed Rulemaking (ANPRM) announcing the Agency's intention to enter into a future rulemaking to rescind Subpart I as it applies to nuclear power reactors. At the same time, EPA proposed a stay of nuclear power reactors pending completion of that rulemaking. EPA intends to issue a proposal to rescind Subpart I for nuclear power reactors no later than June 30, 1991. EPA anticipates promulgating a final rule no later than January 31, 1992.

Question. I understand that industry representatives of the uranium fuel cycle have requested similar action for licensees covered by 40 CFR Part 190 (EPA's Atomic Energy Act (AEA) general environmental standards). What are your plans and schedules for these licensees?

Answer. After reviewing available information concerning radionuclide emissions from nuclear power reactors and the program implemented by the NRC to control such emissions, EPA has tentatively concluded that NRC's regulatory program limiting these emissions protects public health with an ample margin of safety. For the remaining categories of NRC-licensed facilities, EPA has concluded that there still remains a gap in information which prevents the Agency from making the requisite adequacy determination. EPA has, therefore, proposed to stay the effectiveness of

Subpart I for NRC-licensed facilities other than nuclear power reactors pending the collection of additional information until November 1992 or until such earlier date that EPA is prepared to make an initial determination under Clean Air Act section 112(d)(9).

Question. In your final rule in 1989, you stated that NRC's program for licensees covered by Subpart I is adequately protecting the public health and doing so with an ample margin of safety. What new evidence has come to light that questions this finding and prompted the need for collection of additional information described in your February 15, 1991 notice?

Answer. The December 15, 1989 Federal Register notice stated that the EPA rule which limits NRC-licensees' radionuclide emissions to 10 mrem/year ede, from which only 3 mrem/year ede may be from radioiodine, coupled with other requirements of the EPA rule such as yearly reports and obtaining prior approval of new construction or modification, will insure the protection of public health with an ample margin of safety. In the Federal Register notice, EPA acknowledged that in the past, the Agency expressed concerns about regulating NRC-licensees. In that discussion, EPA quoted from a 1985 Federal Register notice of that subject in which it was noted that the emissions from those facilities "were already so low that the public health is already protected with an ample margin of safety." This 1985 statement was made before the D.C. Circuit Court announced in 1987 its *Vinyl Chloride* decision which interpreted the term "ample margin of safety." The court found that the Agency interpretation of this term had been incorrect, and previous Agency findings about the level of protection necessary to provide an ample margin of safety were rejected by the court because the methodology used to reach them had been flawed. Further, the policy that determines what level of protection was appropriate to determine "an ample margin of safety" was established by the Administrator in 1989 and differed from the 1985 policy.

Due to concerns raised late in the December 15, 1989 rulemaking regarding possible duplication of effort between EPA and NRC and possible negative effects of the rule on the medical community, EPA granted reconsideration of Subpart I. Because EPA has not received sufficient information as a result of the reconsideration to enable the Agency to evaluate NRC's regulatory pro ram for facilities other than nuclear power reactors, EPA must collect further information (such as radionuclide emission levels and doses to the general public residing in the vicinity) before it can decide whether the NRC's program protects public health with an ample margin of safety for these facilities.

Question. Is there any question that the standard upon which the 1989 rulemaking and finding were based was preserved for your decisions under section 112(d)(9)?

Answer. Section 112 (d)(9) states that no standard for radionuclide emissions from any category or subcategory of facilities licensed by the NRC is required to be promulgated under the Clean Air Act if the Administrator determines, by rule. that the NRC regulatory program provides an ample margin of safety to protect the public health. This determination is clearly discretionary, and in the absence of such a finding, EPA's existing standard would remain on the books.

Question. What level of resources do you project for this collection and analysis and other activities associated with implementation of section 112(d)(9)?

Answer. We project that data collection and analysis for implementation of section 112(d)(9) will require approximately 2000 hours of EPA staff time and about $600,000 in extramural contract support.

Question. Your February 15, 1991 notice stated that EPA has concluded that ". . . there remains a gap in information concerning certain types of NRC-licensed facilities . . . and that the required information can [not] be obtained solely by soliciting further comments from the affected facilities." How does EPA plan to collect the further information which EPA feels is necessary to make the determination under section 112(d)(9)? If the affected facilities do not participate in providing data regarding emissions. who will? What mechanism will EPA provide so that the affected facilities may comment on the procedure, accuracy and appropriateness of data collection and data interpretation?

Answer. EPA has not been able to obtain the information it needs by requesting comments from the industry. Therefore, EPA intends to collect information by requiring a representative group of facilities to submit such information pursuant to section 14 of the Clean Air Act. A summary of the data collected and the Agency's analysis of such data will be included in a Background Information Document. This document will be placed in the record of the pending reconsideration proceeding and will thereby be made available for inspection by affected facilities and other interested persons.

Question. Your notice of February 15, 1991 did not indicate your plans for subparts T and W which apply to radon emissions from uranium mill tailings management and disposal. I understand that you received requests to reconsider these subparts but have not acted upon those requests and are aggressively enforcing these subparts. What are your plans and schedules for implementing section 112(d)(9) for these subparts?

Answer. EPA will evaluate all information submitted in support of the pending petitions for reconsideration of Subparts T and W in deciding whether reconsideration should be granted and in determining whether it would be appropriate to propose any further actions pursuant to section 112(d) (9). We intend to complete this evaluation and act upon the pending petitions within a reasonable period.

Question. Do you have any doubts about the applicability of section 112(d)(9) to subparts T and W to permit you to rescind these subparts as they apply to NRC and Agreement State licensees?

Answer. No. If the Agency can make the requisite determination concerning protection of public health and the environment, the Agency could decide to rescind all or part of subparts T and W.

Question. These subparts apply to fewer than 100 licensees and DOE sites combined. What level of resources are being expended on implementation? What portion of those resources are related to approving facility construction or modification? What portion is related to implementation of the referenced ground-water protection regulations? Has any coordination with NRC or Agreement State regulatory staff occurred to minimize impacts of EPA decisions on AFA programs for these materials?

Answer. Since the publication of the radionuclide NESHAPS in the Federal Register on December 15, 1989, approximately 0.5 person-years of EPA regional resources has been expended on the implementation of subparts T and W. About 5 percent of this time has been devoted to reviewing and approving four applications for construction or modification of tailings impoundments. The Agency has not expended any resources on the implementation of groundwater protection regulations since the promulgation of the radionuclide NESHAPS. Section 192.32 delegated the responsibility for implementation of the groundwater protection requirements contained in 40 CFR 192 to the Nuclear Regulatory Commission (NRC). EPA regional personnel have coordinated their activities with both NRC and Agreement State regulatory staff to ensure that unnecessary adverse impacts on these types of facilities were minimized.

Question. How do you plan to deal with the December 15, 1991 arbitrary two-year deadline to dispose of tailings when, as you conceded in your 1989 final rule notice, it may be physically impossible to do so? If licensees are forced to dispose of tailings without adequate drying time, doesn't the potential exist to compromise achieving the long-term stability requirements of both EPA's and NRC's AEA regulations for these materials?

Answer. EPA recognized in the 1989 final rule that many of the uranium mill tailings piles or impoundments covered by subpart T might not be able to come into compliance within 90 days of the effective date of the radionuclide NESHAPS. EPA then made a generic finding that at least two years is required to dispose of the tailings piles. Now, as in 1989, the Agency is ready to establish compliance agreements which contain expeditious compliance schedules with the affected owners or operators. The amount of time required for the mill tailings to dry adequately to meet the long term stability requirements of both EPA and NRC regulations will be a major consideration in the development of any compliance schedule.

Question. Subpart T of the radionuclide emissions NESHAP requires operators of mill tailings sites to complete "disposal" of these facilities within two years of either the effective date of the regulations—a closure date of December 15, 1991—or the date the site ceases to be operational, whichever is later. The closure process for these facilities is extremely costly and, due to the physical characteristics of mill tailings sites, requires much longer than two years to complete. EPA has acknowledged this fact in the 1989 rulemaking. Upon what basis does EPA promulgate a NESHAP which it knows is physically impossible to comply with? Please explain and justify the enforcement approach that EPA will follow for this source category, including any penalties that EPA intends to assess for failure to achieve closure at the end of two years?

Answer. The two year deadline given sources to comply with the standard of Subpart T, 40 CFR section 61.222, is the most time allowed by the Clean Air Act. Under section 112(c) of the Clean Air Act, 42 U.S.C. section 7412, NESHAP standards become applicable to all existing sources 90 days after the effective date. The Administrator has the discretion under section 112(c) to grant existing sources up to

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two years to comply with a newly promulgated NESHAP if he finds it is "necessary for the installation of controls and that steps will be taken during the period of the waiver to assure that the health of persons will be protected from imminent endangerment." Because the physical conditions at Subpart T sites makes compliance even within two years very difficult or impossible, the Administrator found that a waiver under this provision was warranted for the full two years for the entire Subpart T source category.

The Agency's enforcement strategy seriously considers the deadline imposed by Congress and expects all sources which can physically come into compliance with the standard within two years to do so. Sources which physically cannot meet the two year deadline will be in violation of the standard. As stated in the regulation, EPA will negotiate compliance agreements with these sources which contain expeditious schedules for meeting the standard. These compliance agreements will be negotiated within the context of an enforcement action under section 113. A source owner's efforts to achieve the standard will be an important factor in determining whether a penalty may be appropriate in a given case.

QUESTION. Subpart W of EPA's NESHAP requires unlined mill tailings sites to shut down to protect groundwater. Under what legal authority does EPA promulgate a standard under the Clean Air Act to regulate water pollution?

ANSWER. The EPA has not used direct authority under the CAA to promulgate standards regulating water pollution. The groundwater protection requirements contained in Subpart W of EPA's NESHAP are contained in 40 CFR 192, Health and Environmental Protection Standards for Uranium and Thorium Mill Tailings. These standards were promulgated in 1983 under the authority of the Uranium Mill Tailings Radiation Control Act of 1978. The groundwater protection requirements of 40 CFR Part 61 Subpart T were established in accordance with section 310(a) of the Clean Air Act, which states that, "Except as provided in subsection (b) of this section, this chapter shall not be construed as superseding or limiting the authorities and responsibilities, under any other provision of law, of the Administrator or any other Federal officer, department, or agency."

QUESTION. Using your experience to date implementing subparts T and W, what level of resources would be required to implement subpart I for the thousands of NRC and Agreement State licensees except commercial power reactors?

ANSWER. EPA believes that the Agency's experience in implementing Subparts T and W has little or no relevance in assess in the resources which would be required to implement subpart I. The facilities themselves are very different and the magnitude of present compliance with EPA standards is also markedly different. EPA believes that the majority of the 6000 facilities subject to Subpart I are presently in compliance with the standard. Although there is likely to be an initial burden on facilities as they become familiar with the procedures required to demonstrate compliance, most small users will have to do very little to demonstrate compliance with the standard. On average, EPA estimates that users who are in compliance will require from one to two person days annually to demonstrate such compliance. Of course, larger burdens might fall on any facilities which are not presently in compliance with the standard.

SCHEDULE FOR PUBLICATION OF HIGH LEVEL WASTE STANDARDS

QUESTION. What is your current schedule for publishing high-level waste standards? What level of EPA resources are being expended on this effort and similarly, what was expended last year?

ANSWER. Our latest schedule for proposing the high-level waste standard shows a target of 1991. However, recent critiques of draft standards have suggested that EPA consider a negotiated rulemaking or other similar process for resolving the issues associated with this rule. The Agency has contracted with the Conservation Foundation to explore these possibilities and present alternatives to agency management. If some form of interactive process is chosen, it will determine the timing of a formal proposal. Alternatively, if no negotiation process is used, we plan to develop a proposed standard by the Fall.

In fiscal 1991, our resource allocation for high-level waste standards development is 7.4 FTE and $525,000. In fiscal 1990, it was 7.4 FTE and $525,000.

LOW LEVEL WASTE REGULATION ACTIVITIES

QUESTION. Are you going to terminate activities related to establishing a low-level waste regulation? If not, does EPA believe NRC's regulations are inadequate? What is the basis for your position?

Answer. We have no current plans to terminate activities related to establishing a low-level waste regulation. We do have concerns with the current NRC regulations. These concerns include the absence of limits for direct external gamma ray exposure, no coverage for centralized processing and storage, and no explicitly defined limits for the contamination of potable groundwater. We have previously testified that we also have concerns as to how NRC will apply its Below Regulatory Concern Policy to low-level radioactive waste.

The draft EPA low-level radioactive waste standards are applicable to some facilities and some wastes that are outside of NRC's authorities. These include Department of Energy facilities and wastes with higher concentrations of natural and accelerator produced radionuclides. The Agency is currently discussing a process with NRC for determining whether it is appropriate for EPA to defer to NRC regarding some aspect of these standards, particularly as they relate to NRC licensees.

RESPONSES TO QUESTIONS FROM SENATOR WARNER

CHESAPEAKE BAY EFFORTS

Question. The Environmental Protection Agency continues to state that the Chesapeake Bay is a "high and growing" priority. What does EPA believe is the greatest threat to the Chesapeake Bay and what are the elements of this budget that directly address this threat?

Answer. Nutrients represent the greatest threat to Chesapeake Bay through over enrichment by both nitrogen and phosphorus. These nutrients act as fertilizers causing excessive algae growth leading to a cut off of sunlight to the aquatic vegetation so essential to the living resources of the bay, as well as the consumption of oxygen in the water without which aquatic life cannot survive. It is estimated 80 percent of the fiscal year 1991 Chesapeake Bay Program budget is devoted to efforts to reduce nutrient loads to the Bay. A similar fraction of the fiscal year 1992 budget is intended to address this area.

IMPACT OF NONPOINT SOURCE REDUCTIONS ON CHESAPEAKE BAY

Question. What impact will the proposed reductions in the fiscal year 1992 budget have on the Chesapeake Bay (for example, the cuts in the nonpoint source management grants to States)?

Answer. There is no reduction for the Chesapeake Bay Program for the 1992 request. In fiscal year 1992, the Chesapeake Bay Program will continue to assist the States in developing and implementing programs targeting critical living resources in the Bay. The 1992 request for the Chesapeake Bay Program Element is $16.3 million, roughly the same level as in 1991. Within that amount, the Chesapeake Bay Program plans to continue support of nonpoint source control activities in Virginia, Maryland and Pennsylvania as in 1991 and previous years.

The Agency's fiscal year 1992 section 319 nonpoint source management grants request (which is a $10 million increase over our fiscal year 1991 request) must be viewed in the context of the fiscal year 1990 and fiscal year 1991 appropriations already providing $89.5 million for section 319. It must be recognized that nonpoint source pollution is fundamentally a local problem which is most amenable to local solutions. The Federal role is to enable States and local governments to devise and implement appropriate solutions to nonpoint source pollution, a role which is adequately supported by the Agency's request. Given the emerging nature of nonpoint source programs in many States and the need to assure that nonpoint source monies receive adequate EPA and State oversight, we believe our fiscal year 1992 request is prudent and will result in measurable progress in reducing nonpoint source risks throughout the Nation as well as in the Chesapeake Bay area.

With regard to the reduction in the State Revolving Fund (SRF) program, the Agency's fiscal year 1992 budget requests $1.5 billion for SRF. This is consistent with the gradual reduction in the level authorized under the Clean Water Act. The authorization drops in fiscal year 1992, while the President's request is only $100 million below the 1991 request. Given the Agency's many competing priorities, the request will continue to establish long-term viability of SRF programs and ensure States' ability to provide financial assistance to communities for construction of treatment facilities.

WETLANDS CLASSIFICATION

Question. In press reports, you are quoted as stating that modifications to the section 404 program may be necessary, that perhaps a grading system of wetlands into high, medium or low valued categories may be appropriate. Do you believe further defining of wetlands based on their functional value will bring greater clarity to this confusing program?

ANSWER. The Agency is initiating a study to identify and develop environmentally sound ways to classify wetlands according to their values and set priorities for wetlands protection that would direct our energies and resources to the most important environmental risks. Under the current system, this sort of analysis already takes place informally, as our wetlands staff applies its best professional judgement to arrive at appropriate mitigation.

Classification (also called "categorization") of wetlands could improve the regulatory program by focusing Agency resources on the protection of the most valuable wetlands, by providing greater consistency and predictability in the permit review process, and by reducing regulatory burden. However, many fear that a hierarchal approach to wetlands protection would likely result in "writing off" low value wetlands and increasing the potential for wetlands "takings" claims for high value wetlands. Additional concerns include the lack of adequate methods for identifying and evaluating wetlands functional values and the increased reliance that such an approach places on compensatory mitigation techniques, some of which are still relatively new and unproven.

In evaluating classification options, it is important to recognize that the section 404 regulatory program already incorporates various methods of classifying wetlands based on their relative functional value.

RESPONSES TO QUESTIONS FROM SENATOR JEFFORDS

SDWA-CONTROL OF DELEGATED PROGRAMS

QUESTION. In Vermont, the legislature is wrestling with who will take control of the Safe Drinking Water Act program. One option is to simply return the program to Region I. Does EPA's budget provide adequate funds to take control of delegated programs should a significant number of States decide to relinquish their programs?

ANSWER. The Agency's budget does not include adequate resources to operate a significant number of State drinking water programs should States decide to relinquish their primacy. At this time all States, including Vermont, are demonstrating good faith efforts to implement the new drinking water requirements and we hope that few States, if any, will be relinquishing primacy. The implications of primacy withdrawal make it undesirable to both EPA and the States, therefore, steps have been taken to ease the initial burden of implementing the new program requirements without jeopardizing human health and drinking water supplies.

The new primacy regulation allows States up to two years time extension beyond the original 18 month deadline to adopt and put into effect new program requirements. As a result of this time extension, EPA will assume responsibility for implementing and enforcing basic elements of any new requirement and may use a portion of the grant funds normally allocated to the State to support EPA implementation activities. During this time, States will maintain their primacy over existing drinking water programs and pursue legislative adoption of the new requirements. The States will also work towards building program capability to take over implementation once the extension expires. This procedure as well as unavoidable delays in Federal regulation development will allow the States more time to adopt and prepare for implementation of current as well as future regulatory requirements.

STATE VS. EPA PROGRAM COSTS

QUESTION. Do you have any general comment on the economics of EPA running a program vs. a State running a program?

ANSWER. There are two major economic considerations in determining whether a program should be run at the Federal level or the State level. First, we must be concerned with interstate commerce. If programs are run at the State level there may be variations in product or process requirements across the States. Such variation may cause problems for firms that conduct business in many States.

Second, regulations and environmental targets for local areas should correspond as closely as possible to local conditions and preferences. Allowing States to run programs leaves the flexibility needed to tailor programs to local conditions.

There is a tradeoff between these two considerations that must be addressed on a case by case basis.

ENFORCEMENT VS. COMPLIANCE ASSISTANCE RESOURCES

QUESTION. Dollar for dollar, do you feel EPA would get greater compliance by enforcement or by providing assistance? How is your philosophy reflected in the budget?

ANSWER. Certainly, technical assistance is necessary to help portions of the regulated community—especially smaller businesses, facilities and municipalities—comply with environmental laws and regulations. However, history demonstrates that technical assistance in the absence of a strong enforcement program will not encourage compliance. For example, compliance promotion activities used to be a primary response for safe drinking water and municipal treatment plant operating violations. Low levels of enforcement were not effective and EPA shifted its emphasis to more vigorous—and successful—enforcement efforts, such as the National Municipal Policy initiative. A strong, aggressive enforcement program is essential to provide the broad deterrence upon which national compliance depends. Enforcement also can provide the impetus for trade associations and others to offer technical assistance in addition to that provided by the Federal Government.

EPA'S STATIC BUDGET VS. INCREASED REGULATORY RESPONSIBILITY

QUESTION. The Government Accounting Office commented in their testimony provided before the hearing that EPA's budget has remained relatively static during the 1980's. Legislative requirements have increased radically however. Do you have any comment on the ability of the regulated community to increase their budgets to meet ever-increasing standards?

ANSWER. The regulated community consists of public and private institutions. In both cases, the regulated entity usually does not have a fixed budget that is available for compliance with regulations. Municipalities can raise money through taxes and firms can in most cases increase the prices of their products to cover the cost of pollution control. The Agency recently conducted a study ("The Sector Study") to assess the ability of regulated entities to fund pollution control activities. Only in the case of small municipalities did it appear that further fund raisin efforts may be difficult. In the case of "for profit" firms (including farms) the ability to pass on costs to customers depends on the particular markets involved. Firms competing in international markets may face competition from foreign firms that do not face comparable environmental regulations.

CROSS TRAINING FOR INSPECTORS

QUESTION. At a recent conference on enforcement, several EPA Deputy Regional Administrators told my staff that it was unrealistic to expect EPA inspectors to become proficient in more than one set of regulations. In the private sector, however, both consultants and industry personnel are typically expected to be proficient in most, if not all, areas of environmental compliance. Indeed, I suspect many EPA inspectors leave the agency each year to go to work for the private sector where they do become proficient in all areas of environmental compliance. Could EPA not conduct more cost-effective, as well as, thorough inspections by training inspectors to be multi-media oriented? What prevents EPA from cross-training inspectors?

ANSWER. The Office of Enforcement (OE) fiscal year 1990 Strategic Plan has identified multi-media enforcement as one way to enhance risk-based enforcement generally. Since then the Agency has undertaken a number of actions to promote multi-media case development to include case screening guidance, inspector training and building capacity with the Agency to deal with multi-media enforcement.

In compliance with section 204 of the Pollution Prosecution Act of 1990, EPA will establish within OE the National Enforcement Training Institute (NETI) to train Federal, State, and local inspectors, civil investigators, criminal investigators, technical experts, civil lawyers and prosecutors in the enforcement of the Nation's environmental laws. The basic enforcement course to be offered by NETI will focus on the development of a multi-media case from the initial inspection through settlement negotiations to an administrative trial and will review all applicable laws, policies and procedures. NETI will also provide inspector multi-media enforcement training which will focus on the needs of Federal and State environmental enforcement inspectors. The course will facilitate cross training inspectors across the broad range of environmental statutes which will enable them to conduct multi-media inspections.

By fiscal year 1993, there will be core curricula established for the six basic categories of enforcement personnel listed above. NETI will develop at least two new courses described in each of the core curricula. By fiscal year 1993 it is anticipated NETI will offer the following eleven training courses in ninety- nine sessions, training approximately 4,000 Federal, State and local enforcement personnel: multimedia basic enforcement, regulatory development, enforcement negotiations skills, RCRA new attorney orientation, BEN/ABEL (penalty computation computer models), financial capability analysis, enforcement tools, enforcement document retrieval system, discovery, administrative litigation and attorney management.

OE currently has an agreement with the Occupational Safety and Health Commission (OSHA) to cross train EPA and OSHA inspectors in the rules and regulations of both agencies.

SMALL COMMUNITIES COMPLIANCE ASSISTANCE

QUESTION. I know of one program the Office of Technology Transfer is working on to help small communities evaluate their compliance status and set priorities for achieving compliance. Can you give me some other examples of research your Agency is conducting on helping the regulated communities comply with complex regulations? Are these programs in your opinion, adequately funded?

ANSWER. The Agency's Office of Drinking Water has in place a Mobilization Effort and also offers to organizations such as the National Rural Water Association and the Rural Community Assistance Program grants, training and technical assistance to help communities meet Safe Drinking Water Act requirements. The Agency sponsors low-cost technology pilot projects to help communities meet technical requirements and may also provide technical assistance to communities which violate the law.

The Agency's Office of Enforcement recently fully funded, and developed with the City of Colorado Springs, a case study of that city's environmental auditing program. Environmental auditing, a form of self-inspection, can help improve environmental compliance and reduce potential liabilities across all functions and operations of local government. While the use of environmental auditing is growing in the private sector and Federal Government, Colorado Springs is the only local government we know of to adopt the practice. The Agency will disseminate the report to, and meet with, opinion leaders, professional associations and small groups 'of local government managers during the rest of fiscal year 1991 to promote environmental auditing.

The President's Budget request includes adequate funding for these programs.

R&D PROGRAMS—ADEQUATE RESOURCES

QUESTION. In preparing an EPA R&D bill, the committee has heard from a number of sources that EPA's R&D program continues to suffer from inadequate facilities and equipment. How does your budget address these problems?

ANSWER. We do have a problem with the condition of both our laboratory facilities and scientific equipment. The Office of Research and Development has 12 laboratories and 5 field sites across the country, and many of these facilities are well over 20 years old and in need of repair. The instrumentation as compared to industry standards is obsolete. It would require approximately $94 million to replace this equipment.

To help rectify the problem of obsolete equipment, our 1992 budget requests an increase of 40 percent for scientific instrumentation (+$3,700,000). This is part of a multi-year effort to upgrade our inventory and will enable us to purchase new equipment for our highest priority research needs.

The R&D budget does not include funding for facility repair and improvement. The Agency will fund these projects with the B&F appropriation. In fiscal year 1992, the Agency is requesting $12,000,000 in the B&F appropriation for facility repair and improvement (for ORD laboratories as well as other parts of the Agency). Once funding is appropriated, the amount for laboratories will be identified.

The Agency is committed to correcting the deficiencies in the ORD laboratories. Beginning in fiscal year 1991, we began a process to develop a Master Plan for each facility to determine the scope of the problem. Once the Master Plans are complete, we will have accurate estimates which we can share with you.

The Agency has reported both the facility and equipment problems to the President as material weaknesses under the Federal Managers Financial Integrity Act.

PROGRAMS WITH SURPLUS FUNDS VS. PROGRAMS WITH DEFICITS

QUESTION. At the end of a fiscal year, which programs typically have money left over and which have a deficit? (Superfund typically has a deficit which gets the leftover money.)

ANSWER. Appropriation accounts do not run a deficit, otherwise known as being "anti-deficient", a serious financial offense. The EPA has two accounts with "expiring" money—the Salaries and Expenses, and Inspector General appropriations. These funds must be obligated within the year for which they are appropriated, or the remaining balances revert back to the Treasury Department. The Abatement, Control and Compliance, and Research and Development accounts have two years in which to obligate funds, or the remaining balances are returned to Treasury. The remaining EPA accounts (Building and Facilities, Construction Grants, Superfund, and LUST) are "no- year", or "multi-year" money. There is no determined cut-off point as to when the funds may be obligated.* On an annual basis, funds within a "no- year" account are usually not all obligated, in which case the funds will roll over into the next year for obligation.

* The newly enacted M Account legislation, which was part of last year's DoD authorization, mandates that unobligated balances carried beyond $ years be returned to Treasury.

EPA HIGH PERFORMANCE COMPUTING

Question. Please describe, briefly, the Agency's efforts in High Performance Computing?

Answer. The EPA research program is directed toward the advancement and dissemination of computational techniques and software tools which form the core of ecosystem, atmospheric chemistry and dynamics models. The models extend the computational capability of environmental assessment tools to handle multipollutant interactions and optimization of control strategies.

EPA's participation in the Federal High Performance Computing and Communication Program provides the Agency that unique opportunity to reduce constraints stemming from computer system capability.

Key models will be targeted for accelerated transition to high performance computing capability (HPCC). The HPCC program will start with a small number of targeted models to ensure success and viability. The targeting will take into account and build upon present EPA programs. The transition will be spear-headed by EPA's MODEL3 program for advanced, third-generation combined regional and urban air quality modeling. The MODEL3 program has been addressing all aspects of system development to enhance response capability in a high performance computing environment.

Key representative systems of models addressing typical environmental problems will be targeted for accelerated transfer to high performance and distributed computing capability. The HPCC program will start with one set of models to ensure success and viability in the development and prototyping of a distributed, coupled modeling environment. The prototyping will be spearheaded by the set of coupled atmospheric and water quality models that describe nitrogen pollution of Chesapeake Bay.

Comprehensive air quality models, their process modules and numerical equations to be solved that are involved in the accelerated transition will be made available to other agencies in the Federal HPCC program. The Regional Acid Deposition Model and subsequently EPA's MODEL3 will spear-head the test-bed models.

Technology transfer will then concentrate on two areas: 1) propagation of high performance computing experience to research scientists, based on experience gained in the targeted transition and linkage work, and 2) development of an approach to the dissemination of the new tools and capability to State/Federal/industrial clients. A third area, training of new scientists, will be coordinated with NSF and North Carolina super computing Center's Outreach program.

CAA—COORDINATION WITH NOAA

Question. Could you describe your plans regarding the implementation of section 112(m) of the Clean Air Act Amendments of 1990? Specifically, what do you see as the schedule for establishing toxic monitoring stations and sampling for pollutants in the Great Lakes, Lake Champlain basin and coastal regions? How do you envision the EPA program working with efforts underway at the National Oceanic Atmospheric Administration?

Answer. Plans for the implementation of section 112(m) are underway and should be finalized by late spring or early summer. Preliminary program designs call for integrated atmospheric deposition monitoring, deposition and source apportionment modeling, and human health and ecological effects study. The schedule for monitoring network deployment is dependent on funding, but a scenario has been discussed in planning for monitoring site priorities for the Chesapeake Bay, Lake Champlain and coastal waters. The monitoring specifically required for the Great Lakes i.e. one facility per lake capable of deposition monitoring under wet and dry conditions, will be in place by the end of 1991.

EPA envisions sharing expertise and ideas with the National Oceanic and Atmospheric Administration and coordinating those efforts which fit the requirements of the Act. Discussions have taken place at the staff level, which will be elevated as possible coordinated activities are identified. NOAA staff is participating actively in the planning process and will be represented on the workgroup.

Prepared Statement of Richard L. Hembra

Mr. Chairman and Members of the Committee, we appreciate the opportunity to be here today to testify on the Environmental Protection Agency's (EPA) requested budget for fiscal year 1992.

Last year, in our testimony to this Committee on EPA's budget proposal for fiscal year 1991, we outlined a list of environmental problems facing the Nation that were not fully addressed by the agency's request for funds. Indeed, for some years, GAO has regularly reported on shortcomings in EPA programs that have often resulted from inadequate funding. Today, in the context of EPA's budget request for the upcoming year, we would like to move beyond this description of unmet needs and share with you GAO's perspectives on how we as a nation might begin to balance national environmental protection goals with budget realities.

PUBLIC EXPECTATIONS VS. BUDGET CONSTRAINTS

The fervor with which the Nation commemorated the 20th anniversary of Earth Day last year impressed all of us, demonstrating as it did the extent of public commitment to environmental protection. According to a *New York Times* survey last April, roughly three out of four people polled believed that protecting the environment is so important that continuing improvements must be made regardless of cost.[1]

Yet it is clear that the Federal Government, at any rate, will be sharply constrained by costs in its abilities to address the Nation's environmental needs. According to the Congressional Budget Office, the Federal budget deficit will approach $300 billion in 1991, not including the costs of Operation Desert Storm. Under the terms of the Omnibus Budget Reconciliation Act of 1990, the deficit will be reduced essentially through caps on discretionary spending, which includes EPA funding, until revenue increases with economic growth.

It should come as no news to this Committee, however, that despite a considerable growth in its responsibilities, EPA's budget has been essentially "capped" for over a decade. In constant (1982) dollars, EPA's operating budget, which covers all its programs except for the Superfund cleanup program and construction grants for sewage treatment plants, went from $1.7 billion in 1979 down to $1.0 billion in 1983 and rose back up to $1.7 billion again in 1991.

Yet during this same period, EPA's responsibilities grew enormously. The 1984 amendments to the Resource Conservation and Recovery Act, for example, known as the Hazardous and Solid Waste Amendments, significantly broadened EPA's responsibilities for regulating the generation, transportation, treatment, storage, and disposal of hazardous waste. The amendments also directed EPA to issue regulations for underground storage tanks. In 1986, the Safe Drinking Water Act was amended, requiring EPA to regulate 83 specific drinking water contaminants. In the same year, the Asbestos Hazardous Emergency Response Act was passed, requiring EPA to set standards for responding to the presence of asbestos in school buildings and to study the problem of asbestos in other public buildings. The 1980's also saw significant new responsibilities for EPA under amendments to the Clean Water Act, the Federal Insecticide, Fungicide, and Rodenticide Act, and Superfund legislation (in title III, the Emergency Planning and Community-Right-to-Know Act).

For fiscal year 1992, EPA's operating budget request appears appreciably higher than its budgets in previous years: $2.5 billion, a 7 percent increase over the 1991 budget. More than 70 percent of this increase, or close to $117 million, represents additional funds that will go toward implementing the 1990 amendments to the Clean Air Act.

When we look more closely at the entire operating budget, however, it is evident that the gains in the air program are partly made possible by cuts elsewhere—for example, reductions of close to $50 million in asbestos abatement loans and grants to school districts, and of nearly $25 million in nonpoint source management grants to States for water pollution control. In fact, the whole notion of gains in the operating budget is illusory because, in constant dollars, the proposed operating budget for fiscal year 1992 is still only $1.76 billion.

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[1] *Environmental Issues: National Public Opinion Polls*, Congressional Research Service (Washington, D.C., Aug. 1990.) The survey did not address the question of how much people would actually be willing to pay for added environmental protection.

In short, these numbers tell us that despite high public expectations and growing responsibilities, EPA continues to have no more resources to deal with environmental problems than it did 13 years ago. And given the current budget crisis, it is highly unlikely that the agency will have additional resources any time in the foreseeable future.

EPA costs should not be our only concern. Under current environmental statutes, Federal, State and local governments as well as industry face considerable compliance costs over the next decade. EPA's recent *Cost of Clean* report estimates that annual spending on pollution control, almost $90 billion in 1987, will grow to $160 billion a year by the year 2000.[2] While costs to both public and private sectors will grow, the greatest increase in shares of total public and private environmental expenditures will be for Federal agencies other than EPA: from 4 percent of total expenditures to 8 percent. These costs will largely be borne by the Department of Energy and the Department of Defense, whose hazardous waste cleanup and compliance costs, we have estimated, could total hundreds of billions of dollars.

NEED FOR RENEWED EMPHASIS ON COST-EFFECTIVENESS

While efficiency in environmental programs has always been of great concern to us, these anticipated increases in costs, along with the constraints on Federal resources, suggest to us the need for a renewed emphasis on cost-effectiveness. In the last couple of years, in GAO reports and testimonies, we have examined various changes to Federal policies and programs that could lead to greater efficiencies in meeting environmental protection goals. We also held a symposium in June 1990 to elicit ideas from environmental experts in business, government, and other groups on ways to maximize the return on each dollar spent for environmental protection.

We have synthesized the results of all these reports and the symposium discussions into a single report to the Congress, which we expect to issue within the next couple of months. In the remainder of my testimony, I would like to outline for you the results of that analysis and our current thinking about actions that might be taken.

In brief, we conclude that several revisions to current policies and program management could better enable the Nation to achieve environmental goals with limited resources:

—First, we believe that Federal budget priorities should reflect an understanding of relative risks to the environment and public health, and the feasibility and cost-effectiveness of various approaches to reduce these risks. Currently, priorities reflect public perceptions of risk that are not necessarily well-founded.

—We also believe that measuring changes in environmental conditions, rather than levels of agency activities, would provide EPA with a more meaningful indicator of the effectiveness of its environmental protection efforts.

—Looking at the economy as a whole, we think that an environmental control strategy combining traditional regulatory approaches with pollution prevention and market incentives could be less costly to the economy, as well as more effective in controlling pollution.

—Finally, we believe that the Federal Government needs to address the financial difficulties that some small communities will face in trying to comply with Federal environmental requirements.

Let me address each of these points.

SETTING PRIORITIES

Earlier this year, EPA Administrator William Reilly appeared before this Committee to present the results of a review he had asked the Science Advisory Board to undertake of the agency's landmark 1987 study, *Unfinished Business*. In the 1987 study, a group of senior agency officials concluded that many environmental problems the group considered to be of relatively low risk, such as contamination from hazardous waste sites, were receiving extensive public attention and Federal resources, while problems the group judged to be of greater risk, such as indoor air pollution and pesticides, were receiving far less attention and fewer resources. The study's authors then concluded that EPA's funding priorities are more closely aligned with public opinion about health and environmental risks than with scientific assessments. As a result of these findings, the Science Advisory Board recommended that EPA reflect risk-based priorities in both its strategic planning and budgeting processes.

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[2] *Environmental Investments: The Cost of A Clean Environment*, Environmental Protection Agency (Washington, D.C.: Nov. 1990.)

This disparity between risk and priorities, reflecting the gap between scientific and public understanding, also stems from EPA's statutory authority, which is derived from roughly a dozen environmental statutes, each with its own, and often different, philosophies and standards. As a result, EPA has little flexibility to set agencywide priorities on the basis of risk assessment, taking into account also the cost and feasibility of various risk-based approaches, across a spectrum of environmental problems.

MEASURING PROGRESS AND PROGRAM EFFECTIVENESS

Our second concern, one we dealt with extensively in our 1988 general management review of EPA,[3] has to do with how the agency is managing its responsibilities. In our view, measuring changes in environmental conditions is a necessary part of assessing the effectiveness of programs and deciding how to allocate resources. Instead of looking at these outcomes, however, EPA has generally used activity-based indicators, such as the numbers of regulations issued or enforcement actions taken, as measures of program effectiveness.

Partly because of funding constraints, the agency has not been able to fully monitor environmental conditions and has found it difficult to develop indicators of environmental conditions that can be linked to specific program activities. While EPA has begun to develop some indicators—national air quality standards and the National air monitoring system, for example—we believe the agency's efforts merit greater priority than historically they have received.

USING NONREGULATORY APPROACHES TO POLLUTION CONTROL

We are also concerned about improving the efficiency of environmental programs. The traditional approach to pollution control—which requires polluters to adhere to certain performance or technology standards—has helped to control pollution from large stationary sources, such as factories and power plants. I might add here that the extent to which regulations are effective depends heavily on a firm and equitable enforcement effort. This aside, the conventional regulatory approach may still not be the most effective approach for controlling contamination either from these large sources or from numerous small and diffuse sources, such as households.

Selectively supplementing the current system with marketbased incentives and pollution prevention strategies could be more effective in controlling these problems and also less costly to the economy as a whole. Market-based incentives, which include pollution taxes or fees and the buying and selling of pollutant emission "rights," give polluters a financial reason to reduce pollution without imposing specific measures for achieving those reductions. Pollution prevention, which involves eliminating or reducing pollution at its source rather than trying to contain or treat it after it has been generated, has already been successfully adopted by some companies, which have realized cost savings as well.

ADDRESSING LOCAL FINANCING NEEDS

Finally, as we indicated in our budget testimony to you last year,[4] we remain concerned about the ability of many small communities in the United States to pay for future environmental requirements. In recent years, the responsibility for financing environmental projects has been shifting from Federal to State and, particularly, local governments. EPA projects that by the year 2000, the costs to local governments of meeting new Federal standards for drinking water, solid waste disposal, and wastewater treatment, among others, will increase from $19 billion a year to over $32 billion. Some communities of less than 2,500 people may find these new costs especially burdensome, in part because they are less able than larger communities to support expanded financial obligations.

To assist State and local governments, EPA has been examining nonfederal funding mechanisms, such as special taxes and user fees. However, according to a 1989

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[3] *Environmental Protection Agency: Protecting Human Health and the Environment Through Improved Management* (GAO/RCED-88-101, Aug. 16, 1988.)

[4] *Observations on the Environmental Protection Agency's Budget Request for Fiscal Year 1991* (GAO/T-RCED-90-46, Mar. 7, 1990).

National Governors' Association study,[5] such alternative financing mechanisms by themselves will not significantly narrow the gap between the cost of environmental protection and the available resources. EPA recognizes that small localities need greater flexibility in managing their resources and setting their environmental priorities. If the agency also better understood the characteristics of small communities that make it difficult for them to pay, EPA might be better able to target its assistance to those most in need.

FUTURE ACTIONS

We are pleased to note that the President's budget for EPA acknowledges the need to focus resources on programs promising the greatest reduction in environmental risk. But while EPA has begun to address many of the problems we have just reviewed, we believe that the agency has to move beyond these measures to deal more effectively with environmental problems. In our forthcoming report, we expect to make recommendations to EPA and the Congress. In the meantime, we would like to share with you some of our preliminary thoughts on these matters.

For one thing, congressional involvement in setting environmental priorities is essential. While EPA has the ability and, arguably, the responsibility to assess the relative risks posed by environmental problems and to educate the public about them, it nevertheless remains the Congress' responsibility to translate that information into legislation. We would therefore like to see EPA work closely with the Congress to identify opportunities for shifting resources from problems whose risks to human health or the environment are less severe to problems whose risks are greater. Given the importance of public opinion in shaping the Congress' agenda, the public must also be much better informed about the relative seriousness of the Nation's environmental problems.

Over the next few years, as a number of major environmental statutes become due for reauthorization, the Congress will also have several opportunities to combine traditional regulatory approaches with market- based systems, much as was done in the Clean Air Act, which incorporated an emissions trading program to control acid rain. This is therefore an opportune time to begin developing ideas and information about ways to combine regulatory with nonregulatory approaches in connection with each of these legislative reauthorizations.

This is also the right time to begin to identify those localities, or types of communities, that are likely to find it difficult to pay for environmental requirements. This assessment should also consider the expected funding shortfalls and alternative forms of assistance for these communities, including possible legislative or regulatory relief.

Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions.

APPALACHIAN REGIONAL COMMISSION
WASHINGTON, DC.
March 21, 1991

Hon. QUENTIN N. BURDICK
United States Senate
Chairman, Committee on Environment and Public Works, Washington, DC.

DEAR CHAIRMAN BURDICK:

At your request, I submit the following information as required by section 301(d) of the Congressional Budget and Impoundment Control Act:

1. Increases or decreases, by appropriation line item, between the fiscal year 1991 appropriated level and the requested level of funding and personnel for agency programs in the fiscal year 1992 budget.

Response. The fiscal year 1991 appropriation line item for the ARC was $170,000,000. The fiscal year 1992 requested level of funding is $100,000,000, a decrease from fiscal year 1991 of $70,000,000. Personnel requirements of 11 Federal and 55 Commission employees are seen as the minimum necessary to conduct the Commission's business. The Federal level in personnel for fiscal year 1992 is an increase of one from the fiscal year 1991 level. This increase is due to the agency's Inspector General requirement for an auditor. Sixty positions have been eliminated since 1980.

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[5] *Funding Environmental Programs: An Examination of Alternatives,* National Governors' Association, (Washington, D.C.: 1989).

2. Increases or decreases that are proposed in user fees or revenues to support program objectives.

Response. User fees or revenues are not used by ARC to support program objectives. Thus, no increases or decreases are proposed.

3. Any necessary or contemplated legislative initiatives to implement any part of the agency's fiscal year 1992 budget request or program objective.

Response. No legislative initiatives are necessary or contemplated to implement the fiscal year 1992 budget request or program objectives.

4. Indicate if any rescissions, deferrals or supplementals are proposed for fiscal year 1992.

Response. No rescissions, deferrals or supplements are proposed by ARC for fiscal year 1992.

I trust this information is satisfactory. However, if additional information is needed, I will be pleased to provide it.

Sincerely,

JACQUELINE L. PHILLIPS
FEDERAL CO-CHAIRMAN

DEPARTMENT OF THE ARMY
WASHINGTON, DC.
March 8, 1991

Hon. QUENTIN N. BURDICK
United States Senate
Committee on Environment and Public Works, Washington, DC.

DEAR MR. CHAIRMAN:

Thank you for your letter of February 13, 1991, and for your letter of March 4, 1991, cosigned with the Honorable John H. Chafee, Ranking Minority Member, concerning the fiscal year 1992 budget request for the Civil Works Program of the Army Corps of Engineers.

As requested in these letters, I am enclosing the following:

—A written statement on the fiscal year 1992 Civil Works budget which discusses the four points specifically mentioned in the March 4, 1991, letter and which encloses, for information, copies of my statement and that of the Chief of Engineers before the House Energy and Water Development Appropriations Subcommittee on the fiscal year 1992 budget;*

—Responses to the series of questions attached to the March 4, 1991, letter; and

—Responses to the series of questions attached to the February 13, 1991, letter.

Sincerely,

G. EDWARD DICKEY
ACTING PRINCIPAL DEPUTY
ASSISTANT SECRETARY (CIVIL WORKS)

PREPARED STATEMENT OF G. EDWARD DICKEY, ACTING PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

INTRODUCTION

I am pleased to submit the Department of the Army's statement on the fiscal year 1992 budget for the Civil Works Program of the Army Corps of Engineers. This statement presents an overview of the fiscal year 1992 budget; addresses the topics of special interest to the Committee, as identified in the Committee's letter of March 4, 1991; and touches upon the several environmental and water resources management infrastructure highlights of the budget.

Attached to this statement are copies of my statement, and that of the Chief of Engineers, Lieutenant General Henry J. Hatch, presented to the House Committee on Appropriations, Subcommittee on Energy and Water Development, at its opening day budget hearing held February 19, 1991.

OVERVIEW OF THE PRESIDENT'S FISCAL YEAR 1992 CIVIL WORKS BUDGET

The fiscal year 1992 budget reflects the Administration's support for protection and restoration of the environment and for improvement of the Nation's infrastructure. This budget, following enactment last fall of the third successive biennial

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*The statements before the House Subcommittee have been retained in Committee files.

Water Resources Development Act, underscores the Administration's strong commitment to sound, environmentally sensitive water resources development.

The budget for the Civil Works Program totals $3.77 billion. This reflects a 6 percent increase over total funding for fiscal year 1991. The budget includes $2.87 billion in general fund revenues, $685 million from trust fund receipts, and $229 million in non-Federal contributions. Together, the trust fund receipts and non-Federal contributions represent 24.2 percent of the Civil Works budget.

TOPICS OF SPECIAL INTEREST TO THE COMMITTEE

Chances in Appropriations, Revenues, and Manpower

Changes in funding and manpower from levels provided by fiscal year 1991 appropriations to levels requested in the fiscal year 1992 budget are shown and explained, by appropriation account, in Tables A and B, respectively, which are attached. Changes in revenues in support of the Civil Works Program also are explained, including changes in receipts and user fees. The most significant funding changes are increased funding in the General Investigations, Regulatory Program, and General Expenses accounts and increased Rivers and Harbors Fund contributions.

Legislative Initiatives

Four legislative initiatives will be submitted for authority to implement certain aspects of the fiscal year 1992 program. The first, for the "Partners in Environmental Progress" Program, would authorize the Secretary, in cooperation with non-Federal interests, to undertake market feasibility studies as port of a cost-shared 4-year Demonstration Program to determine feasibility of private sector participation in development of the Nation's environmental services infrastructure. The second, for the MAGLEV Program, would authorize appropriations beyond fiscal year 1991 for research and development of magnetic levitation technology. The third would authorize expanded recreation user fees, as well as increased participation by non-Federal interests in development of recreation opportunities at Corps reservoirs. The fourth would authorize payment from the Harbor Maintenance Trust Fund for the administrative costs of collecting harbor maintenance user fees.

Rescissions, Deferrals or Supplementals

We do not anticipate the need to rescind, defer, or request supplemental funds in execution of the fiscal year 1991 program.

ENVIRONMENTAL PROTECTION AND RESTORATION

Table C, which is attached, shows highlights of new and continuing environmental initiatives funded at $96 million in the fiscal year 1992 budget. Some of these are:

—1.9 million to initiate nine Reconnaissance Studies with emphasis on restoration of the environment;

—$400,000 to initiate, through our Research and Development Program, a study of the Economic Impacts of Global Climate Change, as part of a Government-wide emphasis in the President's fiscal year 1992 budget on climate change issues;

—$7 million in the Operation and Maintenance, General, (O&M) account to participate with other Federal agencies and coastal States in a Coastal America Partnership for innovative, comprehensive coordination and integration of programs and efforts of Federal, State and local government, and private interests;

—$1 million to initiate a 2-year effort to develop a Wetlands Action Plan and Demonstration Program, authorized by section 307 of WRDA 1990, to identify methods and procedures for use in establishing a Wetlands Banking Program;

—$32 million for Columbia River Juvenile Fish Mitigation at six locks and dams;

—$7.5 million—triple the amount for fiscal year 1991—for modifications to existing projects in the interest of the environment, under authority of section 1135 of Public Law 99-662, as amended;

—$10 million to continue the Tennessee-Tombigbee Waterway Mitigation project;

—$11 million to continue the Wetlands Research and Development Program begun in fiscal year 1991;

—$7 million to continue construction of three freshwater diversion projects to restore Louisiana's coastal wetlands—Caernarvon, Bonnet Carre and Davis Pond; and

—$500,000 to continue the Yazoo Basin Backwater Fish and Wildlife Mitigation project.

INFRASTRUCTURE IMPROVEMENT

Reflecting the Administration's commitment to infrastructure improvement, the fiscal year 1992 budget includes over $54 million to initiate construction on five project new starts and six major rehabilitation new starts, which are shown individually in Table D, attached. Highlights include:

—The total Federal cost of the five Project New Starts is $1.1 billion, of which $535 million would be paid from the Inland Waterways Trust Fund.

—The six Major Rehabilitation New Starts have a total Federal cost of $102 million. Of this amount, $42 million would be paid from the Inland Waterways Trust Fund to cover one-half the cost of the five Inland Waterways projects.

—Beginning in fiscal year 1992, we propose to fund new major rehabilitation projects in the Construction, General, appropriation account. This emphasizes the importance of caring for existing facilities, requiring that major rehabilitation and project new starts compete directly for resources in the future.

—The budget includes funding for eight Preconstruction Engineering and Design New Starts for flood control, storm damage reduction, and commercial navigation projects.

—In addition, we propose a Private Sector Partnership Special Study and Demonstration Program to identify opportunities for greater private sector involvement in the development and operation of environmental services infrastructure.

ONGOING WORK IN THE FISCAL YEAR 1992 CIVIL WORKS BUDGET

In addition to funding the new construction work program, the fiscal year 1992 Construction, General, budget of over $1.2 billion would continue, with a number of exceptions, ongoing projects, including 15 initiated in fiscal year 1991.

The budget includes over $30 million for the Continuing Authorities Program, $20 million of which would be for section 205 flood control projects. In order to direct limited Federal resources to projects that are more clearly beyond the ability of local communities to pursue without Federal participation, we propose to phase out Continuing Authorities program other than the section 205 Projects.

The fiscal year 1992 Operation and Maintenance, General, budget of over $1.5 billion reflects a commitment on the part of the Army to place relatively greater emphasis on the maintenance of Federal facilities. This commitment is reflected in that all increases beyond estimated inflation are for increased maintenance, rather than for enhancement of operations.

Consistent with Army's commitment to the protection and wise management of the Nation's remaining wetlands, the fiscal year 1992 budget includes $86 million for the Regulatory Program, an increase of 14.5 percent over the $75 million for fiscal year 1991. In order to improve the ability to respond to the needs of the public in a timely manner, we are taking steps to increase our regulatory staff, within the existing overall personnel ceiling for the Civil Works Program, by 25 percent by the end of fiscal year 1993.

CONCLUSION

The fiscal year 1992 budget for the Civil Works Program of the Army Corps of Engineers, with its dual focus on protection and restoration of the environment and on improvement of the Nation's infrastructure, is a sound budget that we believe merits this Committee's support.

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS—CIVIL WORKS

Table A.—Comparison of Program Amounts for Fiscal Years 1991 and 1992

(Dollars in thousands)

Appropriation title	FY 1991 appropriation	FY 1992 budget request	Funding change	Primary basis for change
General Investigations	146,435	160,342	13,907	Increased funding for R&D and PED.
Construction, general				
General Funds	1,026,086	1,084,947		
Inland Waterways Trust Fund	117,000	137,410		

Table A.—Comparison of Program Amounts for Fiscal Years 1991 and 1992—Continued

(Dollars in thousands)

Appropriation title	FY 1991 appropriation	FY 1992 budget request	Funding change	Primary basis for change
Total appropriation	1,143,086	1,222,357	79,271	Second year funding for fiscal year 1991 new starts, and transfer of Major Rehab. new starts from O&M, Gen.
Operation and maintenance, general				
General Funds	945,169	1,001,335		
Special Recreation Use Fees	20,000	15,000		
Harbor Maintenance Trust Funds	465,500	498,600		
Total appropriation	1,450,669	1,514,935	64,266	Reflects Coastal America Partnership, Wetland Research Program, and Increased emphasis on maintenance.
Regulatory program	71,100 [1]	86,000	14,900	Reflects increases to allow additional staffing for enforcement and emphasis on wetland protection.
FC, Mississippi River & Tribs	344,606	346,550	1,944	Reflects increased construction requirements.
General expenses	126,600 [2]	150,000	13,900 [2]	Reflects $6.1M for personnel compensation increases for COLA, within-grade Increases, FERS increases, SES Pay Raise, and Geographic Locality Pay. Reflects $2.6M increase in rental rates, utilities, and communication costs. Reflects $0.9M for minimal inflation for supplies and equipment, printing and reproduction, ADP and other contractual services, and travel. Reflects $4.3M for the following extraordinary items: $2.4M for direct-funding formerly centralized activities to reduce billbacks to projects and cost-sharing customers; $1.0M for temporary relocation of staff during renovation of the current headquarters building, and planning for a new one; $.6M for the first installment for systems furniture acquisition to coincide with renovation; $.3M to perform special analyses to more effectively manage total Corps resources.
FC & coastal emergencies	20,000	15,000	(5,000)	Funding requested covers only in-house effort. Possible unobligated carryover could be used to cover emergency response activities.
Revolving fund	0	0	0	
Permanent appropriations	13,000	13,000	0	
Total Federal appropriations	$3,315,496	$3,508,184	$183,188	

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[1] Excludes $4.0 million carryover funds which may be used for other regulatory purposes due to lack of legislation to transfer the Bridge Permit program from USCG.

[2] Actually $136.1 million, with $9.5 million reallocated from fiscal year 1990 carryover of appropriation for fire damage.

New User Fees and Revenues

(Dollars in millions)

Account	Amount	Action required
Special Recreation User Fees	20.0	Legislation. Fees not available for appropriation until fiscal year 1993.
Coastal Wetlands Restoration Trust Fund (established by P.L. 101-646).	34.0	Appropriation of receipts from the Sport Fish Restoration Account and alloction of $34 million of those receipts to the Corps of Engineers.
Rivers and Harbors Contributed Funds—Coastal Wetlands Program.	7.1	Contributions by non-Federal interests to provide their share of expenditures for long-term conservation, protection, and restoration of coastal wetlands in Louisiana.
Total	61.1	

Note. Previously enacted laws and administrative regulations already in effect also will cause increases in user fees and revenues over the prior year; however, such increases are not shown in this table as no new or additional action is required.

Table B.—Comparison of Personnel Allocations for Fiscal Years 1991 and 1992

FTE Allocation

Appn.	FY 1991 appropriation	FY 1992 budget	Change	Explanation
GI	1,895	2,030	+135	Increase reflects change in effect from PED to to Survey Studies.
OG	5,166	5,255	+89	Reflects adjustment within CG account. Includes Environmental Restoration Support increases (155) (EPA 868) & (DOE 70) with decrease of (-66) in construction.
OM	14,426	14,123	-303	Estimated A-76 Program savings and other efficiency adjustments.
RP	1,185	1,316	+131	Increase Regulatory (GR) Program in support of Administration Environmental Initiative.
GE	1,745	1,744	-1	Decease in administrative staffing levels.
FC, MRT	2,755	2,091	-161	Workload and accounting adjustments with R&H Contributed account.
FOCE	149	143	-6	Reflects expected activity.
PA	12	8	0	Adjustment with O&M activities.
R&H Contrib.	565	700	+135	Reflects accounting adjustments with GI, and FC, MRT accounts.
RF	350	350	0	No adjt.
Total	27,863	27,800	-63	

Table C.—Environmental Restoration and Infrastructure Improvement Highlights

(Fiscal Year 1992)

	Total Federal cost	FY 1992 continuing	FY 1992 new initiative
Environmental Restoration:			
General Investigations			
New Reconnaissance Studies	6,855,000		1,902,000
Economics of Global Climate Change Study	1,000,000		400,000

Table C.—Environmental Restoration and Infrastructure Improvement Highlights—Continued

(Fiscal Year 1992)

	Total Federal cost	FY 1992 continuing	FY 1992 new initiative
Construction, General			
Columbia River Juvenile Fish Mitigation, WA, OR and ID	250,000,000	31,700,000	
Project Modifications for Improvement of the Environment (Section 1135)	N/A	7,500,000	
Tennessee-Tombigbee Waterway Wildlife Mitigation, AL and MS	71,000,000	10,000,000	
Yolo Basin Wetlands, Sacramento River, CA	4,500,000	1,800,000	
Lower Snake River Fish & Wildlife Compensation, WA, OR & ID	218,000,000	13,100,000	
Operation and Maintenance, General			
Coastal America Partnership	14,000,000		7,000,000
Wetlands Research Program	22,000,000	11,000,000	
Wetlands Action Plan and Demonstration Program	1,000,000		1,000,000
Flood Control, Mississippi River and Tributaries			
Davis Pond Freshwater Diversion Structure-MS River Delta Region, LA & MS (Constr)	33,000,000	3,850,000	
Mississippi & Louisiana Estuarine Area, MS and LA	53,000,000	3,100,000	
Yazoo Basin Backwater Fish & Wildlife Mitigation, MS (Constr)	6,900,000	500,000	
Yazoo Basin, MS—Reformulation Study	15,000,000	3,200,000	
Total Environmental Restoration Initiatives	$696,255,000	$85,550,000	$10,302,000
Infrastructure Improvement:			
General Investigations			
Development of a Federal Infrastructure Strategy	4,350,000	2,500,000	
Magnetic Levitation Transportation Pilot Program	131,500,000	8,000,000	
Construction Productivity Advancement Research	28,500,000	4,500,000	
Environmental Service Privatization—Spend Study	5,500,000		1,000,000
Construction, General			
Project New Starts	1,111,963,000 [1]		18,065,000
Major Rehabilitation New Starts	101,858,000 [1]		36,329,000
Operation and Maintenance, General			
Repair Evaluation Maintenance and Rehabilitation Research (REMR 11)	35,000,000	6,000,000	
Total—Infrastructure Improvement Highlights	$1,418,589,000	$21,000,000	$55,394,000
Total—Fiscal Year 1992 Highlights	$2,114,924,000	$106,550,000	$65,696,000

[1] Includes Inland Waterways Trust Funds

Table D.—New Construction Work—Construction, General Account

(Dollars in thousands

Project name	State	FY 1992 budget request	Total first cost	Financing	
				Federal	non-Federal
1. Project construction					
Bayou La Batre	AL	500	18,700	5,148	13,552
Homer Spit Storm Damage Reduction	AK	3,295	5,300	3,445	1,855
Alenaio Stream	HI	1,870	12,060	7,730	4,330
Olmsted Locks and Dam	IL & KY	11,400	1,070,000	1,070,000	**
Brazos Island Harbor	X	1,000	34,413	19,050	15,363
Subtotal for 5 projects		$18,065	$1,140,473	$1,105,373	$35,100
2. Major rehabilitation					
*Illinois Waterway, 4 locs	IL	8,200	12,200	12,200	**
*Mississippi River, dams 11–18, 21 & 22.	IL, IA & MO	4,510	24,000	24,000	**
*Mississippi River, lock & dam 13	IL & IA	2,100	13,000	13,000	**

Table D.—New Construction Work—Construction, General Account—Continued

(Dollars in thousands

Project name	State	FY 1992 budget request	Total first cost	Financing	
				Federal	non-Federal
*Mississippi River, lock & dam 15	IL & IA	4,600	17,040	17,040	**
*Mississippi River, locks & dams 2–10	MN, WI, & IA	8,220	17,489	17,489	**
*Bonneville Powerhouse	OR & WA	8,699	18,127	18,127	0
Subtotal for 6 projects		$36,329	$101,856	$101,856	0
Total for 11 projects		$54,394	$1,242,329	$1,207,229	$35,100
As a percent of total first cost			100.00%	97.17%	2.83%

* Funding for such work was previously included in Operations and Maintenance, General Account.

** Part of the Inland Waterway System. One-half of the project cost will be paid from the Inland Waterways Trust Fund

Department of the Army

Responses to Questions from Senator Burdick

CORPS AUTHORITY TO CONDUCT PROJECT STUDIES

Question. It has come to my attention that some in the legal community may construe the process by which the Corps of Engineers study resolutions are approved by the Environment and Public Works Committee as a violation of the *Chadha* decision of the Supreme Court. I would ask that you provide a summary of Corps authorities to conduct project studies, including a summary of how the present "resolution" process has evolved.

Answer. The Corps of Engineers conducts project studies pursuant to specific authorizations of Congress. These project study authorizations are generally found in water resources development acts, such as the Water Resources Development Act of 1990. There is no generic authority for the Corps to undertake new project studies on its own. There is, however, authority for the Corps to undertake a "restudy" of a previously authorized project study at the request by resolution of the Senate Committee on Environment and Public Works or the House of Representatives Committee on Public Works and Transportation. That authority, originally section 4 of the Rivers and Harbors Act of 1913, may be found at 33 U.S.C. 542. Under section 4, those studies that may be undertaken by the Corps pursuant to committee resolution are, as previously stated, limited to studies of projects or project studies that have been previously authorized by Congress and may not go beyond the scope of the project contemplated in the original authorization. The language in section 4 makes it clear that Congress is not authorizing new project studies through the committee resolution process, which arguably would create a *Chadha* problem; but, rather, the established committee resolution process provides a mechanism whereby the Corps may restudy existing studies at the request of either committee.

CLEANUP OF DEPARTMENT OF ENERGY NUCLEAR SITES

Question. As you are aware, there is great interest in the general effort to cleanup the Energy Department's Nuclear Sites including the Hanford Site for which you have been given explicit responsibilities. I have written to you on this subject, and I am requesting that you provide me with a detailed summary of how you intend to proceed to carry out your responsibilities at the Hanford Site.

Answer. The Army Corps of Engineers involvement stems from the signing on July 12, 1990, of a broad-based Memorandum Of Understanding (MOU) between the Army and Department of Energy (DOE), to provide environmental restoration support to DOE headquarters, operations offices, and field installations. This support generally relates to cleanup of wastes and contamination resulting from past DOE operations.

The signing of the MOU with DOE, enabled the Corps to negotiate an Interagency Agreement (IA) between the DOE Hanford Operations Office and the Corps North Pacific Division, which was signed on July 27, 1990. The Corps assigned its Walla Walla Engineer District, under the North Pacific Division, to support DOE cleanup and associated work at Hanford. To date, the Corps has entered into four task orders to assist DOE at Hanford, totalling $2.887 million.

Under the existing agreements, the Corps works in partnership with DOE to enhance the management and execution of environmental restoration activities. The Corps does not "take over" or displace DOE from being ultimately in charge and responsible for these activities. For execution assignments, the Corps acts as DOE's agent, in a similar way as it does for the Environmental Protection Agency (EPA) in the Superfund.

The agreement with DOE-Handford defines the responsibilities, which involve providing support for waste management and environmental compliance activities, and the cleanup of inactive hazardous, mixed and radioactive waste sites at the Hanford site. The current scope of work, much of which is already underway, includes the following:

a. *Engineering Services.* These include, but are not limited to:

(1) COST ESTIMATION, which include independent analysis of costs and review of cost estimates developed by DOE contractors.

(2) VALUE ENGINEERING STUDIES, to determine if capital facilities and cleanup activities of equal quality could be accomplished at less cost to the government.

(3) TECHNICAL ASSISTANCE, which include providing professional technical support and review of DOE produced documents relating to seismology, geology, geotechnical (soils), hydrology and engineering.

b. *Sitewide Topographic and Geographic Surveys.* These surveys cover ground surface features at monitoring well locations and inactive waste sites. All well locations will be surveyed to determine well casing elevations to the same precision and on the same common datum.

c. *Management of Operable Unit Assessment Activities.* This includes managing the assessment activities for assigned RCRA and CERCLA past practice operable units from Work Plans through the Record of Decision (ROD).

d. *Management of Operable Unit Cleanup Activities.* Such activities entail remedial design, remedial action or both. Management of these cleanup activities for certain operable units will cover the ROD phase through completion of clean up.

e. *Additional Tasks.* Such tasks may be added to the Scope of Work by mutual agreement between the Corps and the Hanford Operations Office.

For the Hanford Site, as previously stated, the Corps has assigned its Walla Walla District to support the DOE cleanup and associated work. The District will maintain a small office on site at Hanford, in addition to its main office at Walla Walla, WA. To facilitate this task, the Walla Walla District is working toward staffing-up to about 30 man-years of annual effort, by creating a Technical and Management Team strictly devoted to the Hanford remediation work.

CURRENTLY AUTHORIZED CORPS OF ENGINEERS PROJECTS

Question. Would you please provide a list, by State, of all Corps of Engineers Water projects which remain authorized as of September 1, 1991; note when each project was authorized; and for projects authorized prior to the passage of the 1986 Water Resources Development Act when funds were last expended on such project, the amount of such expenditure, and the purpose for which the funds were expended.

Answer. The information requested is not currently available. However, we will develop the information and will provide it in about 30 days.

BALD HILL DAM AND DAM SAFETY

Question. It is my understanding that the State of North Dakota and the Corps disagree on the cost sharing formula to be applied to the dam safety work at the Bald Hill Dam, which is a Federal facility. What is the nature of this disagreement as you understand it? Is it possible that this structure was inappropriately classified as "unsafe"? Are there any other Federal Corps dams which remain so classified?

Answer. None of the over 600 completed Corps dams is in imminent danger of failure. These Corps dams are not unsafe, and this includes Bald Hill Dam.

In light of modern scientific knowledge, engineering standards, and experience gained with respect to the potential for earth quakes and extremely largely floods, we now consider that the risk for severe damage to or failure of some of our structures may be higher than was originally anticipated. In 1986, for example, 36 dam projects were selected as candidates most likely to require selective modification of features to meet the requisite safety standards and assure that the project will function as originally intended. Of these, 29 projects have been or are being modified, studied or designed, while the remaining seven have been dropped from the list after further analysis.

The modification to Bald Hill Dam should only be undertaken to reduce risk to the downstream population and assure the continued flow of benefits to the affected communities, not as an end in itself. Corps studies report a risk from dam failure which can be reduced by the construction of an auxiliary spillway and 5-foot parapet wall on the existing embankment. The Assistant Secretary of the Army (Civil Works), in his September 20, 1990, letter to the State accepted the conclusion of these reports as the Army's basis for funding the 95 percent Federal share of the $31 million modification. The State's reluctance to financially support the proposed work under terms determined by section 1203 of Public Law 99-662—the State would be required to finance 5 percent of the $31 million cost of the modification—suggests that the value of the modification may not be so compelling as to require action. Thus, although the disagreement between the State of North Dakota and the Army has been presented as an issue over cost sharing, its true nature may be differing assessments as to whether the increased safety to be derived from the proposed modification, together with the benefits from avoiding loss of the purposes now provided by Bald Hill Dam, is worth the cost.

The Assistant Secretary of the Army (Civil Works) September 20, 1990 letter to the State of North Dakota is attached.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
Washington, DC.

Mr. DAVID A. SPRYNCZYNATYK
Office of the State Engineer, Bismarck, North Dakota

DEAR MR. SPRYNCZYNATYK:

It was a pleasure meeting on August 21 with you and Mr. Frink. As promised, we have looked into the matters we discussed concerning the proposed spillway modification at Baldhill Dam.

You raised two questions concerning the cost sharing for the project. First, you questioned whether it is appropriate to apply the cost sharing provisions of Public Law 99-662 in this case and to require a non-Federal project sponsor to pay a portion of the modification costs. In raising this issue, you note that the Baldhill Dam was authorized and constructed over 40 years ago and that the legislation which provides for the project construction specifies that the Federal Government is to be responsible for operation and maintenance of the dam. Second, you questioned whether the proposed apportionment of costs between the Government and the non-Federal project sponsor is, in fact, equitable in this case given the history of the project. In your view, the project sponsor should only be required to pay a percentage of the cost of acquiring any real estate that is needed for the project since originally all construction costs were a Federal responsibility.

The issue of cost sharing has been given careful attention. Counsel advises that as to your first question concerning the applicability of Public Law 99-662, there is no doubt that the cost sharing provisions apply. Before section 1203 was enacted, it was unclear whether proposed modifications to dams and related facilities, stemming from new hydrologic or seismic data or changes in state-of-the-art safety standards, should be treated as operation and maintenance costs. Section 1203 was enacted to resolve this issue and to prescribe a cost sharing formula for pursuing such modifications. The provision covers all modifications that are proposed after enactment of Public Law 99-662 and hence applies to the proposed construction at Baldhill Dam.

Your second question concerning the apportionment of costs between the Government and the non-Federal project sponsor cannot be answered in such absolute terms. Section 1203 does not directly address this issue and is subject to different readings. In construing this provision, the Army considered several possible interpretations, to include the approach advocated by you. Ultimately, the Army adopted the formula applied at Baldhill Dam which calls for apportioning the modification costs between the Government and the project sponsor according to the ratio of costs incurred by the Government and the sponsor as part of the original construction effort. We believe that this is the appropriate interpretation of section 1203, which fulfills congressional intent that modification costs be shared in accordance with "the cost sharing in effect at the time of initial project construction."

You also inquired about the positions of the St. Paul District and the North Central Division concerning cost sharing. The St. Paul District on December 28, 1987, and the North Central Division on January 8, 1988, both recommended that the non-Federal share of the proposed spillway modification be based on the ratio of non-Federal cost to total project cost at the time of initial project construction. These recommendations with respect to cost sharing subsequently were adopted as the official Department of the Army position after careful consideration on December 9, 1988. We are at a loss to explain why this Army position was not clearly conveyed by the District and Division to the State of North Dakota.

As you pointed out, water conservation was always the dominant purpose of this project. In the original studies, benefits for water conservation were about 90 percent of the total project benefits. The primary beneficiaries continue to include water supply users. The formal assurances of local cooperation, furnished prior to project construction, were provided by the Eastern Dakota Water Development Association (EDWDA), the city of Fargo, and the State Water Conservation Commission of North Dakota. It is our understanding that the LDWDA may have been formed solely for the purpose of obtaining cash contributions from water supply and pollution abatement beneficiaries, and that 11 communities and industrial users did contribute to this requirement. Given this support to the initial project development, it clearly is reasonable for the State to seek and expect similar contributions from water conservation beneficiaries, under section 1203, for the dam safety modifications.

Several studies by the Corps of Engineers report a risk from dam failure which can be reduced by the construction of an auxiliary spillway and a 5-foot parapet wall on the existing embankment at Baldhill Dam. This office accepted the conclusions of these studies as its basis for funding the Federal share of the $31 million dam safety assurance plan. The increased safety, together with the benefits from avoiding loss of the purposes now provided by the dam, should be evident to the State. This does not appear to be the case in this instance, however.

The modification to Baldhill Dam should only be undertaken to reduce risk to the downstream population and assure the continued flow of benefits to the affected communities, not as an end in itself. The State's reluctance to financially support the proposed work under terms determined by section 1203 of Public Law 99-662 suggests that you remain unconvinced of the value of the modification. I encourage you to review the dam safety studies upon which we made our recommendation to assure that this modification is warranted and suggest you consult with the original project sponsors during this review. He will defer further effort on the modification until an agreement on funding is achieved between the Army and the State.

Sincerely,

ROBERT W. PAGE
ASSISTANT SECRETARY OF THE ARMY
(Civil Works)

RED RIVER BASIN TECHNICAL RESOURCES SERVICE

QUESTION. Your letter to me on January 28, 1991, informed me that $188,00 has been allotted in the current Fiscal Year to the Red River Basin Technical Resources Service "to help the city of Fargo find locally funded solutions to their water supply demands". It is my understanding that the States of North Dakota and Minnesota intended that the Resource Service examine potential solutions to the long-standing dispute between the States over flood control measures on the Red River for later implementation by the States. Is there any objection to the use of these funds for this purpose, and if so please provide a detailed explanation of these views.

ANSWER. Technical assistance in addressing long-standing flood control issues in the Red River Basin has been provided under the section 22 Planning Assistance to States program for several years. The section 22 program continues to be available to assist all States in addressing flood control and other water resources issues. The Technical Resources Service was authorized in section 50 of the Water Resources Development Act of 1988. However, the Administration opposes funding a special program of non reimbursable technical assistance for North Dakota and Minnesota. This is consistent with treatment of the State of New York and the Commonwealth of Puerto Rico, for which special planning assistance programs also are authorized, but have not been funded in recent years. By relying on the section 22 program alone, it is possible to assure that the Corps planning assistance is allocated to States in a consistent manner across the country. Nonetheless, because Congress allocated funds to section 50 in reports accompanying the Fiscal Year 1991 Energy and Water Development Appropriations Act and because the Administration was aware of the severe water supply problem in the area of Fargo, North Dakota, a decision was made to allot the Fiscal Year 1991 funds on a one-time basis to assist committees in this area in finding solutions to this problem. The Army's policy continues to be to budget for and perform planning assistance to States through the section 22 program.

FT. YATES BRIDGE

QUESTION. Please provide me with an estimate of the construction funds which would be needed in Fiscal Year 1992 to follow-up the conclusion of the redesign of the Ft. Yates Bridge provided the State agrees to the local cooperation agreement for such project.

ANSWER. The latest estimated cost for the redesign of the Ft. Yates Bridge to completion is $1,250,000. The Fiscal Year 1991 appropriation was $250,000 leaving $1,000,000 to be appropriated for project completion.

RESEARCH AND DEVELOPMENT—INFRASTRUCTURE TECHNOLOGY

QUESTION. What has the Corps done in terms of research and development as it relates to infrastructure technology? What has the Corps done to promote technical transfer and what other things could the Corps do?

ANSWER. A large part of the Civil Works research and development program of the Corps of Engineers is producing products that provide new techniques and materials for enhancing the water transportation and other parts of the Nation's infrastructure. In particular, the Rehabilitation, Evaluation, Maintenance and Repair Program is aimed at providing cost-effective ways to improve water-related infrastructure assets. The Construction Productivity Advancement Research Program is also providing products beneficial to infrastructure improvement.

Technology transfer is a major part of each project in the research and development program. User input and review is obtained from the beginning of projects to ensure that the product will meet user needs and can be implemented quickly when completed. A means of supporting users in their use of the products is also developed. There is also major emphasis on transferring products to the public and private sectors through the use of Cooperative Research and Development Agreements and patent licensing. The Corps is a leader in the Department of Defense in Domestic technology transfer. We are increasing management emphasis on earlier identification of research and development products that could have private sector application and seeking non-Federal public and private partners for joint testing and product commercialization. We are also seeking to improve the process for sharing royalty payments with employees and the laboratories where inventions are made to stimulate more active participation in domestic technology transfer.

CROSS MODAL TRANSPORTATION IMPACTS OF NAVIGATION PROJECTS

QUESTION. Has anyone evaluated the cross modal transportation impacts on the inland waterways-highways-rail-air-ports when navigation projects are planned? If so, what were the results of these studies? If you have not studied this, why not?

ANSWER. Yes. Analysis of alternative modes is implicit in the benefit analysis procedure for all navigation planning studies. Water transportation is both competitive and complementary relative to other surface transportation modes. The primary purpose of inland waterways improvements is to provide an economical transportation route for bulk commodity movements. Inland navigation benefits are measured as the difference in transportation costs between a proposed water-routing and the least cost alternative routing. These cost comparisons are used to determine the least cost transportation mode, or combination of modes, and likely resulting modal shares and impacts for commodities being analyzed in navigation planning studies.

Water transportation often complements other transportation modes. For example, much of the grain from the Midwest moves to markets with the initial movement by truck and/or rail to river terminals and then to final destination by barge. Therefore, due to the nature and competitiveness of commodity movements, modal impacts can be expected, and do, vary considerably due to the type, size, and location of the navigation project under study and the availability or non-availability of alternate transportation modes.

INLAND WATERWAYS TRUST FUND

QUESTION. What are the impacts to the Inland Waterways Trust Fund if all the authorized projects contained in WRDA '86 were constructed?

ANSWER. All inland navigation projects authorized by the Water Resources Development Act of 1986 are currently under construction. The Inland Waterway Trust Fund will contain adequate funds to complete these projects given the current and projected future revenue from fuel taxes. The most recent published Trust Fund analysis was provided the Inland Waterways User Board on 28 September 1990. A copy of that analysis is enclosed. This analysis not only includes the navigation projects authorized by the Water Resources Development Act of 1986, but also those projects authorized by subsequent acts.

Trust Fund Analysis

ASSESSMENT OF ALTERNATIVE ASSUMPTIONS OF OUTLAYS AND REVENUES FOR THE INLAND WATERWAYS TRUST FUND

Prepared for the Inland Waterways User Board

QUALIFYING STATE AND DISCLAIMER:

This document presents a series of projections for the Inland Waterways Trust Fund based on alternative assumptions of growth in receipts, alternative interest rates and alternate combinations of potential outlays. These projections are for macro-planning purposes only. No final determination of the economic justification or environmental acceptability of projects, no final decision on the cost, size, or location of future projects shown, and no Administration or Corps of Engineers commitment to request funds to proceed with potential construction are implied with this analysis except for projects under construction or proposed for construction in the fiscal year 1990 Budget.

U.S. ARMY ENGINEERS INSTITUTE FOR WATER RESOURCES

CASE BUILDING, FORT BELVOIR, VIRGINIA 22060-3386

FACT SHEET

SUBJECT. Increase in Fully Funded Cost Estimates for Inland Navigation Projects Using Trust Fund

FACTS. *Background.* An analyses of the inland waterways trust fund is developed for each meeting of the Inland Waterways Users Board. The cost estimates submitted by the Life Cycle Project Management system have been updated using current budget guidance on inflation and showing latest schedules.

Impact. The impact of increased inflation (OMB guidance has increased out-year estimates from 2 percent to 3.1 percent) and revised schedules is to increase the projected fully funded costs of the seven projects under construction and four projects scheduled to be started by fiscal year 1998 by $174 million. The impacts due to increased inflation are significant for those projects not yet under construction and small for the projects now under construction. A summary of the costs presented to the Users Board in May and the analysis prepared for the October meeting is presented below:

Inland Navigation Construction Projects Fully Funded Costs (Budget Guidance)—$1,000,000

Estimate for Inland Waterway Users Board

Project	July 1990 meeting (May data)	October 1990 meeting (September data)	Difference
Bonneville	327.9	328.0	+0.1
Gallipolis	345.0	347.0	+2.0
L&D 26	230.0	231.0	+1.0
Oliver	111.0	118.0	+7.0
L&D 7	168.0	171.0	+3.0
L&D 8	96.4	96.0	−.4
Winfield	203.0	203.0	
Olmsted	990.0	1070.0	+80.0
McAlpine	274.1	292.0	+17.9
Montgomery Point	203.0	216.0	+13.0
Mon 3 and 4	381.4	428.0	+46.6
Total			+171.0

DISCUSSION

The following analysis of the Inland Waterways Trust Fund is based on available information from the Life Cycle Project Management (LCPM) system and guidance provided by the Planning Division, HQUSACE. Three alternate scenarios of new or replacement lock and dam construction projects are analyzed, each at two different inflation and interest rates. The three scenarios are as follows:

a. Nine projects under construction or in the construction program;

b. The nine above, plus Montgomery Point Lock and Dam on the McClellan-Kerr Arkansas River Navigation System;

c. The ten above, plus a single replacement lock and dam on the Monongahela River for existing Mon Locks 3 and 4.

Due to continuing uncertainties over the type, cost and location of & replacement lock for Inner Harbor, it has been omitted from this analysis. Montgomery Point is currently under review by the Corps' Washington Level Review Center.

Each of the three scenarios is analyzed twice using alternative assumptions of inflation and interest rates. These are as follows:

1. *OMB*. The LCPM system provided construction cost estimates and schedules of expenditures by year for the eight authorized projects now under construction or in the construction program and for McAlpine Lock and Dam. A schedule of expenditures for Montgomery Point was provided by the Corps' Little Rock District. These estimates were prepared using new OMB guidance on inflation (averaging 3.19 annually) and an assumed interest rate of 6 percent. For Mon 3&4 replacement lock and dam no annual schedule of expenditures is available, So a "normal" (bell-shaped) distribution of expenditures is assumed over a 5-year construction period, using total project cost and start year estimates from the inland Navigation Regional Investment Plan (July 1989).

2. *DRI*. A second analysis of each of the three construction scenarios was performed using alternative rates of inflation (59) and interest earned (89), which are in line with forecasts developed by Data Resources Inc. (DRI) and other private analysts.

Other principal assumptions were kept constant for both scenarios, including:

- Incremental increases in the fuel tax rate as established in the Water Resources Development Act of 1986;
- An annual growth rate in fuel consumption of 1.5 percent (the mid-range of traffic growth scenarios presented in the Institute for Water Resources' *1988 Inland Waterway Review*);
- A trust fund balance on September 30, 1989 of $321.1 million, as reported by the U.S. Department of the Treasury. Projected annual receipts to and outlays from the trust fund have been recalculated from this starting base.

CHANGES FROM EARLIER ANALYSES

In addition to updating the trust fund starting balance, expenditure schedules by year have been changed for several projects from earlier analyses presented to ASA(CW) and the User Board, based on the latest available information from the Life Cycle Project Management System. Higher expenditures are expected in the near term for Gallipolis, but the schedule has been shortened by a year for completion of the project. Uninflated project costs are only slightly changed from earlier analyses, but higher inflation assumptions from OMB result in slightly higher project costs. The most significant impact is at Olmsted, where the OMB estimated cost increased from $990 million to $1070 million. The expenditure schedule by year has also been updated for Olmsted, with higher outlays in the near term. At Melvin Price (2nd chamber) lower annual expenditures are anticipated in the near term, but expenditures in the last year of construction are increased. Scheduled outlays have been accelerated at Gallipolis and Winfield, in addition to Olmsted.

FINDINGS

The results of the analyses are presented in the following series of tables. Each scenario (A–C) has four tables (1a, 1b, 2a, 2b). Tables 1a and 1b address the project cost and trust fund balance using OMB inflation and interest rates, while tables 2a and 2b show DRI inflation and interest rates.

OMB. Under inflation and interest rate assumptions from OMB (approximately 3.1 percent and 6 percent, respectively), all projects in scenarios A–C can be built based on project construction costs and schedules of expenditures provided. The trust fund balance falls to a low of $95.4 million in 1993.

DRI. Under the higher inflation and interest rate assumptions from DRI, all projects can still be built on schedule under scenarios A through C. The trust fund-balance is drawn down to a minimum of $11.2 million in 2001. This balance is only marginally above zero, and slightly higher inflation or changes in project cost estimates would likely result in the need to delay construction of Monongahela Locks 3 and 4 (single replacement) by at least a year.

In summary, this analysis shows that the eight projects now underway can be built on schedule, even if inflation runs higher than OMB is estimating. In addition, another lock on the scale of the project envisioned at McAlpine ($292-330 million after inflation) can be initiated in 1996, another project in 1997 on the scale of Montgomery Point ($216-234 million after inflation), and a third project in 1998 on the scale of the Mon 3 and 4 Replacement ($428-550 million after inflation), without depleting the trust fund under low inflation assumptions. Under higher inflation, the last project to be constructed barely escapes the need to be delayed by one year and is therefore very sensitive to any changes in inflation or project cost estimates.

The tables follow. Table 1 offers a summary of total project cost, uninflated and for each inflation scenario. Table 2 provides outlays by project by year for those with an available schedule from the project management system. (Mon 3 and 4 Replacement is a preliminary cost estimate with no yearly schedule as yet available.) Tables A-1a through C-2b follow, displaying the results of each scenario.

Table 1.—Total Project Cost Estimates Uninflated and With OMB (3.1 percent and DRI (5 percent) Inflation Rates

Project	Uninflated cost	OMB inflation ($ million)	DRI inflation
Bonneville	316	328	331
Gallipolis	327	347	354
L&D 26	219	231	233
Oliver L&D*	116	118	118
L&D 7	159	171	175
L&D 8	91	96	98
Winfield	183	203	208
Olmsted	820	1,070	1,209
McAlpine	221	292	330
Montgomery Pt.	162	216	234
Mon 3 and 4	307	428	550

Table 2.—Inland Waterways Trust Fund Expenditures

[Million $ by year—September 1990]

Project	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Bonneville																						
Uninflated	3.0	11.5	19.5	13.0	30.4	29.6	37.6	12.9														157.9
OMB	3.0	11.5	19.5	13.0	30.4	31.1	41.0	14.5														163.9
DRI	3.0	11.5	19.5	13.0	30.4	31.3	41.7	14.9														165.3
Gallipolis																						
Uninflated		4.1	22.4	23.7	39.4	3.0	12.0	15.1	6.9	6.2	5.7	5.7	2.4	0.0								163.7
OMB		4.1	22.5	23.7	39.4	3.9	13.0	17.0	6.0	7.5	7.1	7.3	3.2	0.0								173.4
DRI		4.1	22.4	23.7	39.4	21.0	13.2	17.5	6.4	7.9	7.7	6.0	3.5	0.0								176.9
L&D 26																						
Uninflated	2.1	2.2	2.1	1.3	26.1	32.4	21.2	3.3														109.6
OMB	2.1	2.2	2.1	1.3	26.1	33.6	23.0	22.6														115.3
DRI	2.1	2.2	2.1	1.3	26.1	34.0	23.4	23.5														116.6
Oliver																						
Uninflated		10.2	16.9	3.7	16.2	2.4	5.4	3.3														56.0
OMB		10.2	16.9	3.7	16.2	2.5	5.9	3.7														59.0
DRI		10.2	16.9	3.7	16.2	2.5	6.0	3.6														59.2
Grays Landing																						
Uninflated	0.6	1.3	3.0	7.6	11.6	13.7	15.7	10.7	6.6	6.9												79.6
OMB	0.6	1.3	3.0	7.6	11.6	14.3	17.0	12.0	10.0	6.3												65.6
DRI	0.6	1.3	3.0	7.6	11.6	14.4	17.3	12.4	10.5	6.6												67.4
Point Marion																						
Uninflated	0.2	0.4	0.6	1.3	6.6	13.4	13.6	9.1														45.3
OMB	0.2	0.4	0.6	1.3	6.6	14.0	15.0	10.3														46.2
DRI	0.2	0.4	0.6	1.3	6.6	14.1	15.3	10.6														46.9
Winfield																						
Uninflated			1.9	2.7	9.0	7.4	14.2	30.6	19.9	5.7												91.6
OMB			1.9	2.7	9.0	7.7	15.4	34.6	23.2	6.9												101.3
DRI			1.9	2.7	9.0	7.6	15.7	35.6	24.2	7.3												104.1
Olmsted																						
Uninflated				4.5	2.0	1.7	5.3	26.7	43.0	55.6	56.3	37.6	39.7	16.9	6.0	36.2	14.4	6.7	29.6	15.6	4.0	410.0
OMB				4.5	2.0	1.6	5.7	30.0	50.0	66.6	72.1	47.9	52.2	25.6	11.1	52.1	21.4	13.3	46.9	25.3	6.6	535.0
DRI				4.5	2.0	1.6	5.6	30.9	52.3	71.0	75.2	52.9	56.7	29.4	13.0	61.9	25.9	16.3	56.9	32.4	6.6	604.6

McAlpine																					
Uninflated					0.1	0.5	0.6	1.0	1.0	1.0	6.2	19.6	31.9	31.0	17.6						110.7
OMB					0.1	0.5	0.9	1.1	1.2	1.2	7.6	24.9	41.9	41.9	24.9						146.0
DRI					0.1	0.5	0.9	1.1	1.2	1.2	6.2	27.5	47.2	46.0	29.0						165.0
Montgomery Pt.																					
Uninflated						0.9	0.6	0.6	0.5	0.6	0.9	10.1	31.2	15.1	14.0	6.7					61.1
OMB						0.9	0.6	0.7	0.5	1.0	1.0	12.6	40.9	3.4	19.5	9.6					107.9
DRI						0.9	0.6	0.7	0.6	1.0	1.1	13.5	43.6	22.3	21.7	10.6					116.9
Total																					
Uninflated	5.9	29.5	66.4	57.7	143.4	122.2	126.6	130.4	79.9	76.2	71.1	72.9	105.2	65.0	39.6	42.6	14.4	6.7	29.6	15.6	4.0	1,307.6
OMB	5.9	29.5	66.4	57.7	143.4	127.3	137.4	146.6	92.8	91.3	87.8	92.8	138.1	87.9	55.5	61.6	21.4	13.3	46.9	25.3	6.8	1,535.5
DRI	5.9	29.5	66.4	57.7	143.4	128.3	139.8	151.0	97.1	97.2	95.2	102.0	153.3	99.7	63.7	72.7	25.9	16.3	58.9	32.4	8.8	1,645.0

Table A–1a.—Summary of Nine Scheduled Inland Navigation Projects: OMB Inflation (3.1 percent) and Interest Earned (6 percent)

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
Bonneville	1987	7	328
Gallipolis	1987	12	347
L&D 26	1918	6	231
Oliver L&D	1987	7	118
L&D 7	1988	1	171
L&D 8	1989	5	96
Winfield	1989	7	203
Olmsted	1993	15	1,070
McAlpine	1996	5	292
Total			$2,136

Table A–1b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects: OMB Inflation (3.1 percent) and Interest Earned (6 percent)

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1989				321.1
1990	143.4	52.5	19.3	249.4
1991	126.4	62.9	15.0	201.0
1992	136.9	73.7	12.1	149.9
1993	146.0	84.8	9.0	97.7
1994	92.3	96.2	5.9	107.5
1995	90.3	102.8	6.4	126.4
1996	86.8	104.3	7.6	151.6
1997	80.1	105.9	9.1	186.5
1998	97.2	107.5	11.2	208.0
1999	67.5	109.1	12.5	262.1
2000	36.0	110.7	15.7	352.6
2001	52.1	112.4	21.2	434.1
2002	21.4	114.1	26.0	552.8
2003	13.3	115.8	33.2	688.5
2004	46.9	117.5	41.3	800.4
2005	25.3	119.3	48.0	942.4
2006	6.8	121.1	56.5	1,113.3
2007	0.0	122.9	66.8	1,303.0

Table A–2a.—Summary of Nine Scheduled Inland Navigation Projects—DRI Inflation (5 percent) and Interest Earned (8 percent)

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
Bonneville	1987	7	331
Gallipolis	1987	12	354
L&D 26	1988	6	233
Oliver L&D	1987	7	118
L&D 7	1988	8	175
L&D 8	1989	5	98
Winfield	1989	7	208
Olmsted	1993	15	1,209

Table A-2a.—Summary of Nine Scheduled Inland Navigation Projects—DRI Inflation (5 percent) and Interest Earned (8 percent)—Continued

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
McAlpine	1996	5	330
Total			$3,056

Table A-2b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects: DRI Inflation (5 percent) and Interest Earned (8 percent)

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1989				321.1
1990	143.4	52.5	25.7	255.9
1991	127.3	62.9	20.5	212.0
1992	139.2	73.7	17.0	163.5
1993	150.4	84.8	13.1	111.0
1994	96.5	96.2	8.9	119.6
1995	96.3	102.8	9.6	135.7
1996	94.2	104.3	10.9	156.8
1997	88.5	105.9	12.5	186.8
1998	109.5	107.5	14.9	199.7
1999	77.4	109.1	16.0	247.3
2000	42.0	110.7	19.8	335.9
2001	61.9	112.4	26.9	413.3
2002	25.9	114.1	33.1	534.5
2003	16.4	115.8	42.8	676.7
2004	58.9	117.5	54.1	789.4
2005	32.4	119.3	63.2	939.5
2006	8.8	121.1	75.2	1,127.0
2007	0.0	122.9	90.2	1,340.0
2008	0.0	124.7	107.2	1,572.0

Table B-1a.—Summary of Nine Scheduled Inland Navigation Projects Plus Montgomery Point: OMB Inflation (3.1 percent) and Interest Earned (6 percent)

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
Bonneville	1987	7	328
Gallipolis	1987	12	7
L&D 26	1988	6	231
Oliver L&D	1987	7	118
L&D 7	1988	8	171
L&D 8	1989	5	96
Winfield	1989	7	203
Olmsted	1993	15	1,070
McAlpine	1996	5	292
Montgomery Pt.	1997	1	216
Total			$3,072

Table B–1b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point: OMB Inflation (3.1 percent) and Interest Earned (6 percent)

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1989				321.1
1990	143.4	52.5	19.3	249.4
1991	127.3	62.9	15.0	200.1
1992	137.5	73.7	12.0	148.3
1993	146.7	84.8	8.9	95.4
1994	92.8	96.2	5.7	104.5
1995	91.3	102.8	6.3	122.3
1996	87.8	104.3	7.3	146.2
1997	92.9	105.9	8.8	168.0
1998	138.1	107.5	10.1	147.4
1999	87.9	109.1	8.8	177.5
2000	55.5	110.7	10.6	243.4
2001	61.7	112.4	14.6	308.8
2002	21.4	114.1	18.5	419.9
2003	13.3	115.8	25.2	547.7
2004	46.9	117.5	32.9	651.2
2005	25.3	119.3	39.1	784.2
2006	6.8	121.1	47.1	945.6
2007	0.0	122.9	56.7	1,125.2
2008	0.0	124.7	67.5	1,317.5

Table B–2a.—Summary of Nine Scheduled Inland Navigation Projects Plus Montgomery Point: DRI Inflation (5 percent) and Interest Earned (8 percent)

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
Bonneville	1987	7	331
Gallipolis	1987	12	354
L&D 26	1988	6	233
Oliver L&D	1987	7	116
L&D 7	1988	8	175
L&D 8	1989	5	98
Winfield	1989	7	208
Olmsted	1993	15	1,209
McAlpine	1996	5	330
Montgomery Pt	1997	5	24
Total			$3,290

Table B–2b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point: DRI Inflation (5 percent) and Interest Earned (8 percent)

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1989				321.1
1990	143.4	52.5	25.7	255.9
1991	128.2	62.9	20.5	211.1
1992	139.8	73.7	16.9	161.9
1993	151.1	84.8	13.0	108.6

Table B-2b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point: DRI Inflation (5 percent) and Interest Earned (8 percent)—Continued

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1994	97.1	96.2	8.7	116.5
1995	97.2	102.8	9.3	131.4
1996	95.3	104.3	10.5	151.0
1997	101.9	105.9	12.1	167.0
1998	153.4	107.5	13.4	134.5
1999	99.7	109.1	10.8	154.7
2000	63.7	110.7	12.4	214.1
2001	72.8	112.4	17.1	270.9
2002	25.9	114.1	21.7	380.8
2003	16.4	115.8	30.5	510.7
2004	58.9	117.5	40.9	610.1
2005	32.4	119.3	48.8	745.9
2006	8.8	121.1	59.7	917.8
2007	0.0	122.9	73.4	1,114.1
2008	0.0	124.7	89.1	1,328.0

Table C-1a.—Summary of Nine Scheduled Inland Navigation Projects Plus Montgomery Point and Monongahela 3 and 4 (Replacement): OMB Inflation (3.1 percent) and Interest Earned (6 percent)

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
Bonneville	1987	7	328
Gallipolis	1987	12	347
L&D 26	1988	6	231
Oliver L&D	1987	7	118
L&D 7	1988	8	171
L&D 8	1989	5	96
Winfield	1989	7	203
Olmsted	1993	15	1,070
McAlpine	1996	5	292
Montgomery Pt.	1997	5	216
Mon 3 and 4 (Rpl)	1998	5	428
Total			$3,500

Table D-1b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point and Mon 3 and 4: OMB Inflation (3.1 percent) and Interest Earned (6 percent)

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1989				321.1
1990	143.4	52.5	19.3	249.4
1991	127.3	62.9	15.0	200.1
1992	137.5	73.7	12.0	148.3
1993	146.7	84.8	8.9	95.4
1994	92.8	96.2	5.7	104.5
1995	91.3	102.8	6.3	122.3
1996	87.8	104.3	7.3	146.2

Table D–1b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point and Mon 3 and 4: OMB Inflation (3.1 percent) and Interest Earned (6 percent)—Continued

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1997	92.9	105.9	8.8	168.0
1998	157.2	107.5	10.1	128.4
1999	126.0	109.1	7.7	119.1
2000	131.7	110.7	7.1	105.3
2001	99.8	112.4	6.3	124.2
2002	40.5	114.1	7.5	205.3
2003	13.3	115.8	12.3	320.1
2004	46.9	117.5	19.2	409.9
2005	25.3	119.3	24.6	528.5
2006	6.8	121.1	31.7	674.5
2007	0.0	122.9	40.5	837.9
2008	0.0	124.7	50.3	1,012.9

Table C–2a.—Summary of Nine Scheduled Inland Navigation Projects Plus Montgomery Point and Monongahela 3 and 4 (Replacement): DRI Inflation (5 percent) and Interest Earned (8 percent)

(September 1990)

Project	Start year	Construction duration (years)	Total project cost with inflation ($ million)
Bonneville	1987	7	331
Gallipolis	1987	12	354
L&D 26	1988	6	233
Oliver L&D	1987	7	118
L&D 7	1988	8	175
L&D 8	1989	5	98
Winfield	1989	7	208
Olmsted	1993	15	1,209
McAlpine	1996	5	330
Montgomery Pt	1997	5	234
Mon 3 and 4 (A)	1998	5	550
Total			$3,840

Table C–2b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point and Mon 3 and 4: DRI Inflation (5 percent) and Interest Earned (8 percent)

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
1989				321.1
1990	143.4	52.5	25.7	255.9
1991	128.2	62.9	20.5	211.1
1992	139.8	73.7	16.9	161.9
1993	151.1	84.8	13.0	108.6
1994	97.1	96.2	8.7	116.5
1995	97.2	102.8	9.3	131.4
1996	95.3	104.3	10.5	151.0
1997	101.9	105.9	12.1	167.0
1998	179.5	107.5	13.4	108.3
1999	152.1	109.1	8.7	74.0

Table C–2b.—Summary of Cash Flows—Inland Waterway Trust Fund—Nine Scheduled Inland Navigation Projects Plus Montgomery Point and Mon 3 and 4: DRI Inflation (5 percent) and Interest Earned (8 percent)—Continued

(September 1990)

Year	Estimated outlays	Tax revenues	Interest earnings	Year-end balances
2000	168.4	110.7	5.9	22.2
2001	125.1	112.4	1.8	11.2
2002	52.1	114.1	0.9	74.1
2003	16.4	115.8	5.9	179.5
2004	58.9	117.5	14.4	252.4
2005	32.4	119.3	20.2	359.6
2006	8.8	121.1	28.8	500.6
2007	0.0	122.9	40.0	663.5
2008	0.0	124.7	53.1	841.4

Responses to Questions From Senator Chafee

Question. Please outline the changes in the Continuing Authorities Program as proposed in the budget.

Answer. Funding for Continuing Authorities Program projects not requiring specific legislation is provided in the budget for all phases of flood control (Section 205) projects and the orderly phase out of projects implemented under all other authorities. During the phase out, which began in February, the following will occur:

—All section 205 program work continues uninterrupted into fiscal year 1992 and beyond.

—For section 14, all phases now underway continue to completion of construction or as far as justified, but no new studies will be started.

—Any work directed in legislation and funded in Appropriation Act language will proceed.

—For Sections 103, 107, 111, and 208, other than work proceeding in accordance with Appropriation Act language, the budget proposal is as follows: construction underway and construction approved by the Assistant Secretary of the Army (Civil Works) will continue to completion. Cost shared feasibility study sponsors will be offered the option of continuing the study until enactment of fiscal year 1992 appropriations or of termination now. For any project that does not proceed to construction as a result of this phase out, cost shared study sponsors will be reimbursed in fiscal year 1992 for non-Federal study costs through fiscal year 1991. All non-cost shared studies and plans and specifications were to have been terminated in February.

Question. What effect will these changes have in the Corps' ability to respond to civil works needs across the country?

Answer. The fiscal year 1992 budget proposes the phase out of Continuing Authorities Program projects other than section 205 flood control projects in order to direct limited Federal resources to projects that are more clearly beyond the ability of local communities to pursue without Federal participation. Section 205 program projects, which receive the largest allocation of continuing authorities program funds and have the largest individual projects (Federal share up to $5 million), continue uninterrupted and the budget proposal does not adversely affect the Corps ability to address flood problems. The projects that normally fall under Sections 103, 107, 111, and 208 all could be pursued under the regular authorization process, although they are quite small. The smallest projects costing under $50,000 are in section 14. These cannot be pursued under the regular authorization process; however, like projects in the other sections, they too are not beyond the abilities of local entities to carry out themselves.

Question. Please provide a list of projects affected by the changes?

Answer. The list follows:

PROJECTS TERMINATED AS A RESULT OF THE PROPOSED PHASE OUT

Section 103—Small Beach Erosion control Projects

(1946 Flood Control Act as amended)

STEBBINS, AK
BARROW, AK
WAINWRIGHT, AK
KOTLIK, AK
LAULIITUAI TO AUMI, TUTUILA, AS
PORT SAN LUIS SHORE AND BLUFF EROSION, CA
WOODMONT BCH, MILFORD, CT
PROSPECT BCH, WEST HAVEN, CT
EAST HAVEN BEACHES, CT
LITTLE TALBOT ISLAND, FL
EAST AGANA, GO
COMMERCIAL PORT ROAD, CABRAS ISLAND, GU
NORTH CHICAGO-LAKE RICH, IL
SYLVIA STATE BEACH, OAK BLUFF, MA
NORTH BEACH, CALVERT COUNTY, RD
SHALLOW CREEK SPUR CHANNEL, MD
ROANOKE ISLAND, DARE COUNTY, NC
BOCA DE CANGREJOS, PR
ISLA DE CABRAS, PR
PUERTO NUEVO BEACH, PR
PATILLAS, PR
NORTHSIDE DRIVE, FREDERIKSTED, ST CROIX, VI
LINCOLN PARK BEACH, SEATTLE, WA

Section 107—Small Navigation Projects

(1960 River and Harbor Act as amended)

CHIGNIK, AK
LARSEN BAY, AK
OOZINKIE, AK
MOUNTAIN POINT, AK
WHITTIER, AK
ANCHOR POINT, AK
LITTLE DIOMEDE, AK
ATKA, AK
CRAIG, AK
SEWARD, AK
ST. RARY/S, AK
WRANGELL NARROWS, AK
ONALASKA, AK
KLAWOCK, AK
HYDABORG, AK
PORT OF FLORENCE, AL
SO. FORK, BON SECOUR R., AL
FORT GAINES, DAUPHIN ISLAND, AL
DEVALLS BLUFF, AR CRESCENT CITY HARBOR, DEL NORTE CO., CA
PORT SAN LUIS, SAN LUIS OBISPO COUNTY, CA
SAN LEANDRO CHANNEL, ALAMEDA, CA
STONINGTON HBR, CT
FERNANDINA HARBOR, FLSCIPIO CREEK BOAT BASIN, FRANKLIN CO., FL
MOORE HAVEN CHANNEL, GLADES COUNTY, FL
APRA HARBOR, GU
KAHULUI SMALL BOAT HARBOR, MAUI, HI
MAHUKONA/NORTH KOHALA ISLAND OF HAWAII, HI
EAST HAWAII LIGHT DRAFT NAVIGATION FACILITY, HI
CAIRO HARBOR, IL
JACKSON-UNION COUNTIES PORT, JACKSON COUNTY, IL
SOUTHWIND MARITIME CENTER, MOUNT VERNON, IN
CLARK MARITIME CENTER, JEFFERSONVILLE, IN
NORTH PASS-PASS RANCHAC, TANGIPAHOA PARISH, LA
BAYOU DULARGE, LA
SAUGUS R, SAUGUS, MA
PROVINCETOWN HBR, MA
WINTHROP HBR, WINTHROP, MA
GLOUCESTER HBR,GLOUCESTER, MA
AUNT LYDIA'S COVE, CHATHAR, MA
OAK BLUFFS HARBOR, MARTHA'S VINEYARD, MA
MILL CREEK, YARROUTH, MA
DANVERS RIVER, DANVERS, MA
EAST RIVER, WAREHAR, MA
WESTPORT RIVER, WESTPORT, MA
SOLOMON'S ISLAND HARBOR, RD
TEDIOUS CREEK, DORCHESTER COUNTY, MD
CHESTER RIVER, QUEEN ANNE'S COUNTY, RD
OCEAN CITY HARBOR & INLET, WORCESTER COUNTY, RD
NANTICOKE HARBOR, WICORICO COUNTY, RD
ISLAND CREEK, ST. GEORGE ISLAND, ST. MARY'S COUNTY, RD
WOOD ISLAND HARBOR, BIDDEFORD, ME
PERKINS COVE, OGUNQUIT, ME
PIG ISLAND GUT, BEALS, ME
BUCKS HBR, MACHIASPORT, ME
NARRAGUAGUS RIVER, ME
OCEAN SPRINGS HARBOR, MS
MISSISSIPPI RIVER AT NEWPORT, MS
WILMINGTON HARBOR TURNS AND BENDS, NC
WILMINGTON HARBOR PASSING LANE, NC
GARDNERS BASIN, NJ
WILLS HOLE THOROFARE PT PLEASANT, NJ
BELFORD HARBOR, NJ
MIDDLE THOROFARE, NJ
OTTENS HARBOR, NJ
NORTH SANDY POND, OSWEGO COUNTY, NY
SENECA LAKE, GENEVA, NY
CAYUGA LAKE, SENECA COUNTY, NY
EAST HARBOR STATE PARK, OH
COQUILLE RIVER, BANDON, OR
COOS BAY, OR
PORT OF MORROW, MORROW COUNTY, OR
NEWPORT, ORPORT OF GOLD BEACH, OR
SOUTH TONGUE POINT CHANNEL, OR
COOS RIVER CHANNEL, OR
ISLAND OF VIEQUES, PR
AGUADILLA HARBOR, PR
BUENA VISTA, HUMACAO, PR
PUNTA TUNA, MAUNABO, PR
SHIPYARD RIVER, CHARLESTON, SC
CENTRE SOUTH RIVERPORT, HAMILTON COUNTY, TN
BENNETT CREEK CITY OF SUFFOLK, VA
YORK AND PARUNKEY RIVERS, VA
TYLERS BEACH,ISLE OF WIGHT CO., VA
BENNER BAY, VI
COLUMBIA RIVER MILE 74.5 TO 76.2 KALAMA, WA
COLUMBIA RIVER DDA VANCOUVER, WA
WIND RIVER, WA
KEYSTONE HARBOR, ADMIRALTY INLET, WA
WESTPORT, OR—PUGET ISLAND, WA, WA
PORT TOWNSEND, WA
REED ISLAND, WA
ANACORTES HARBOR, WA
NEAH BAY, WA
WHATCOR CREEK WATERWAY, WA

Section 111—Mitigation of Shore Damages Due to Federal Navigation Projects

(1968 River and Harbor Act as amended)

MOSS LANDING HARBOR, CA
PALM BEACH HARBOR, FL
LORAIN HARBOR, LORAIN, OH
UMPQUA RIVER WINCHESTER BAY, OR
CORNUCOPIA HARBOR, WI
STURGEON BAY HARBOR, WI

Section 208—Snagging and Clearing For Flood Control

(1954 Flood Control Act as amended)

PETERS CREEK, ANCHORAGE, AK
BLACK RIVER, BUTLER COUNTY, MO
UNNAMED TRIBUTARY, LOVE COUNTY, OK
MAXWELL CREEK, PARKER COUNTY, TX

MOST AFFECTED REGIONS

Question. What region of the country is most affected by the proposed changes?

Answer. The States with the largest number of project or study terminations are Alaska with 20, Massachusetts and Washington with 11 each and Maryland, Oregon, and Puerto Rico with 8 each. Twenty five other States have 5 or less each.

BLOCK ISLAND, RHODE ISLAND

Question. No funds were included in the budget for the study of improvements at Old Harbor in Block Island, Rhode Island. What is the Status of this project?

Answer. Due to the large number of new reconnaissance studies added by Congress in fiscal year 1991, only environmental restoration studies were proposed for fiscal year 1992 new starts. Block Island will be considered as a new start, together with other studies, for inclusion in the fiscal year 1993 budget. The study would address the need and feasibility of navigation improvements in Block Island as directed in the Congressional resolution.

HEADQUARTERS RELOCATION

Question. What is the status of the agency's headquarters relocation effort?

Answer. The Corps of Engineers accepted the General Service Administration's offer to relocate the Corps' headquarters to a new building at the Southeast Federal Center in Washington, D.C. The Corps and GSA are now developing a Memorandum of Understanding to complete the agreement. It is anticipated that the move will take place in 1996 if design funds are made available to the General Services Administration in Fiscal Year 1992.

BASE CLOSURES

Question. Will the Army Corps of Engineer's facilities be reviewed in the context of the base closure legislation approved last year? If so, is there a conflict in including civil works functions under this military/defense infrastructure realignment?

Answer. Yes. The Army Corps of Engineers, an Army Major Command, has submitted its reorganization proposal to the Total Army Basing Study Group using the process required in the Department of Defense Base Closure and Realignment Act 1990 (BRAC 91) for inclusion in the Secretary of Defense's recommendations to the BRAC 91 Commission. The Army Corps of Engineers meets the definition in the Act of military installation as an "activity under the jurisdiction of the Department of Defense". Language excluding Civil Works projects from the definition of military installation in 10 USC 2687 Base Closures and Realignments was omitted from BRAC 91. There is no conflict' in including Civil Works functions under the military/defense infrastructure realignment because there is a sufficient relationship between rivers and harbors and flood control projects and a force structure necessary to respond to threats to the National security.

Responses to Questions From Senator Durenberger

RED RIVER BASIN TECHNICAL SERVICES

Question. Red River Technical Resource Service is an important program to Minnesota and North Dakota. Operations in Fiscal Year 1991 were supported by funding of $188,000. Given the project's importance and the substantial work remaining, why does the fiscal year 1992 budget not request any funding for it?

ANSWER. Technical assistance in addressing long-standing flood control issues in the Red River Basin has been provided under the section 22 Planning Assistance to States Program for several years. The section 22 Program continues to be available to assist all States in addressing flood control and other water resources issues. The Technical Resources Service was authorized in section 50 of the water Resources Development Act of 1988. However, the Administration opposes funding a special program of nonreimbursable technical assistance for North Dakota and Minnesota. This is consistent with treatment of the State of New York and the Commonwealth of Puerto Rico, for which special planning assistance programs also are authorized, but have not been funded in recent years. By relying on the section 22 program alone, it is possible to assure that the Corps planning assistance is allocated to States in a consistent manner across the country. Nonetheless, because Congress allocated funds to section 50 in reports accompanying the fiscal year 1991 Energy and Water Development Appropriations Act and because the Administration was aware of the severe water supply problem in the area of Fargo, North Dakota, a decision was made to allot the fiscal year 1991 funds on a one-time basis to assist communities in this area in finding solutions to this problem. The Army's policy continues to be to budget for and perform planning assistance to States through the section 22 Program.

SAUK LAKE, MINNESOTA

QUESTION. The Appropriations for Energy and Water Development for the Fiscal Year ending September 30, 1991, contained $100,000 for continuation of the Sauk Lake, Minnesota project. What is the status of this project and the intended use of the $100,000?

ANSWER. Section 602 of the Water Resources Development Act of 1986 (PL 99-662) authorized the removal of silt and aquatic growth from Sauk Lake and its tributary streams in the vicinity of Sauk Centre, Minnesota, with cost sharing responsibilities at 75 percent Federal and 25 percent non-Federal. I have just approved a report, prepared by the St. Paul district with previously appropriated funds, that addresses the various alternatives in the context of the authorizing legislation. A Local Cost Sharing Agreement (LCA) needs to be executed before the fiscal year 1991 funds are allocated for any procurement or service contract work. The benefits of this project represent a relatively low priority for future Federal investment. There are no funds in the President's fiscal year 1992 Budget for continuation of this work.

QUESTION. It is my understanding that the local sponsor is prepared to discuss and agree to a local cost sharing agreement for this project so that construction will begin this spring. What is your schedule for accomplishing these two items?

ANSWER. A schedule for negotiation and execution of the LCA and the initiation of remedial measures for Sauk Lake is being developed now that I have approved the Corps report.

WARROAD, MINNESOTA

QUESTION. Rehabilitation of a revetment wall at Warroad, Minnesota to comply with provisions of a 1925 Convention and protocol between the U.S. and Great Britain for regulating the level of Lake of the Woods has not been accomplished although the need has been acknowledged for many years. Why hasn't this work been done and why have no funds been requested in fiscal year 1991 for this effort?

ANSWER. The priority for Federal investment assigned to the rehabilitation work was not high enough to assure funding based on the type and amount of estimated public benefits. The work is not included in the fiscal year 1991 program nor the fiscal year 1992 budget request.

U.S. DEPARTMENT OF COMMERCE
WASHINGTON, DC.
March 19, 1991

Hon. QUENTIN N. BURDICK
United States Senate
Chairman, Committee on Environment and Public Works, Washington, DC.

DEAR MR. CHAIRMAN:

Thank you for your cosigned letter requesting information on the fiscal year 1992 budget submission for the Economic Development Administration (EDA). As requested, enclosed is a statement discussing the points contained in your letter.

In summary, the Administration is proposing the termination of EDA. This proposal is based on the premise that economic development is more appropriately addressed at the local level.

Sincerely,

L. JOYCE HAMPERS
ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

PREPARED STATEMENT OF L. JOYCE HAMPERS

For fiscal year 1992, the Administration is proposing the phaseout of the Economic Development Administration (EDA). This phaseout would be conducted over a five-year period to insure protection of the Government's currently active grants, loans and loan guarantees. The following table reflects the budgetary impact of the fiscal year 1992 requested level as compared to the fiscal year 1991 enacted appropriation:

(Dollar amounts in thousands)

Appro./line item	1991 enacted		1992 request		Difference	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Salaries & Expenses:						
Executive direction	21	$1,389	4	848	-17	-$541
Program operations	70	3,911	23	2,586	-47	-1,325
Program support	60	9,321	27	7,620	-33	-1,701
Regional operations	214	12,397	98	8,946	-116	-3,451
Total appropriation	365	27,018	152	20,000	-213	-7,018
Economic development assistance programs:						
Public works		140,825		0		-140,825
Planning						
Districts		15,543		0		-15,543
States		1,890		0		-1,890
Indians		2,835		0		-2,835
Urban		2,834		0		-2,834
Subtotal		23,102		0		-23,102
Technical assistance		6,613		0		-6,613
Economic adjustment		24,317		0		-24,317
Trade adjustment		12,950		0		-12,950
Research & evaluation		1,193		0		-1,193
Total appropriation		209,000		0		-209,000
Grand Total	365	$236,018	152	$20,000	-213	$-216,018
Loan Guarantees		(150,000)		(0)		(-150,000)

This request reflects the belief of the Administration that investments in local economic development and the decisions surrounding these investments should be made at the local level by State and local governments. The financing should, therefore, come from the same people who are best able to make these decisions—State and local governments, working together with private investors. Since EDA was first authorized in 1965, over 13 billion dollars have been awarded to fund various projects. While there is little doubt some of these projects were helpful and have had beneficial results in individual communities, Federal budgetary constraints and the cumbersome problem of administering a national program of this kind can no longer be ignored. Economic development and expansion at the Federal level can be better addressed through the alternative adoption of the Administration's Enterprise Zones proposal.

The fiscal year 1992 request of $20 million constitutes the full amount necessary to begin phaseout. The financial composition of EDA's budgetary resources would negate the need For rescissions, deferrals and supplementals. Lastly, the loan guarantee fee would be terminated with residual fees applicable only to loan guarantees executed prior to fiscal year 1992.

Legislatively, the Administration will be pursuing authorization to expend funds to exercise care and protection authority on property purchased or improved with grant funds. We propose to do this by seeking authority to utilize funds governed by section 203 of the Act (42 USC 3143). Over the past several years, a significant number of EDA grant recipients, in violation of the terms of their grants, have leased or sold facilities acquired, built, or improved with grant funds, or have lost ownership of the facilities through foreclosure for failure to pay their debts. EDA has not been able to adequately protect its interests in properties acquired, built, or improved with EDA grant funds through liquidation, foreclosure on other similar action.

In the past, EDA has attempted with little or no success to protect its interests by: (1) using grant conditions, and (2) recording covenants, which did not give EDA an interest in the property funded by EDA. Neither solution was adequate to discourage grant recipients from misusing facilities paid for with Federal dollars. More recently EDA has required liens on the property, but authority to enforce them is lacking. EDA's authorizing legislation (42 USC section 3211(8) and (9)) provides authority for EDA to acquire and take necessary protective actions with regard to property purchased or improved with EDA loans or loan guarantees, but not for property purchased or improved with grant funds.

The aforementioned statement summarizes the Administration's fiscal year 1992 budget request for the Economic Development Administration.

FEDERAL EMERGENCY MANAGEMENT AGENCY
WASHINGTON, DC.
April 9, 1991

Hon. QUENTIN N. BURDICK
United States Senate
Chairman, Committee on Environment and Public Works, Washington, DC.

DEAR MR. CHAIRMAN:

This is in response to your letter of March 4, 1991, co-signed by Senator John H. Chafee, requesting program information for your report to the Senate Budget Committee. The following responds to your request:

1. Please list the amount of funds which have been expended through the Stafford Act for Hurricane Hugo and the Loma Prieta earthquake. Also list the funds expended for other disasters for fiscal year 1991. What additional expenditures do you anticipate making for items eligible under the Stafford Act for Hurricane Hugo and the Loma Prieta earthquake in fiscal year 1992?

Approximately $1,707,860,000 has been obligated to date for those areas affected by Hurricane Hugo and the Loma Prieta earthquake. The current estimate of obligations for Hurricane Hugo and the loma Prieta earthquake in fiscal year 1992 is an additional $177,000,000.

In addition to obligations for Hurricane Hugo and the Loma Prieta earthquake, $107,935,000 has been obligated for other disasters thus far in Fiscal Year 1991.

2. After the experience of Hurricane Hugo and the Soma Prieta earthquake, are there statutory changes that should be made to the Stafford Act? Are you anticipating any administrative changes?

We are currently reviewing areas of response and recovery to Hurricane Hugo and the Loma Prieta earthquake in an effort to determine what, if any, legislative changes may be necessary. If FEMA is to be a first response agency in situations where such assistance is warranted, amendments to the Stafford Act will be necessary.

Some of the identified deficiencies have already been corrected administratively, i.e., confusion about roles and responsibilities particularly regarding use of the military, development of systems and procedures to handle donated goods and refinement of the Federal Disaster Response Plan. Additionally, all response operations have been centralized in FEMA's Office of Civil Defense.

3. How has the reserve system worked for additional personnel during the past two years with unusually large and frequent disasters?

Needless to say, response and recovery efforts over the past eighteen months would have been near impossible without the ability to maintain a reserve system. Disaster reservists are crucial staff resources for Disaster Field Offices. They perform key technical and administrative jobs. The spate of disaster activity identified areas for improvements. The rosters were found to be extremely thin in certain categories and the number of Spanish-speaking staff in all job categories is inadequate. During Hurricane Hugo and the Loma Prieta earthquake, efforts to staff the Disaster Field Offices were frustrated not so much by the overall shortage of available reservists, but by the imbalance in qualifications. A number of actions have been taken or are underway to improve recruitment, training, and deployment of disaster reservists. We have enlisted reservists in Puerto Rico who are bilingual and training packages have been developed in Spanish using disaster terminology.

4. Do you believe there is any equipment that FEMA should purchase and have on hand for use during disasters rather than relying on other agencies?

The Hurricane Hugo experience shattered the presumption that support systems and off ice space will be available in the aftermath of an extraordinary event to support response operations. An immediate operating capability and visible FEMA presence are essential in responding to a devastating disaster. FEMA should have the ability to deploy a self-contained, transportable unit composed of sleeping and sanitation facilities, food, power, and support staff.

5. After Hurricane Hugo and the Loma Prieta earthquake experience, are there areas where more training or preparation at either the local, State or Federal level would be helpful?

FEMA's Office of Civil Defense, in conjunction with the Office of Training, is providing financial support for the development of national professional standards through a committee of career professionals coordinated by the National Coordinating Council on Emergency Management. The standards for certification will serve to identify the degree of expertise of the individual professional to the emergency management community, to provide him/her career recognition, and to offer incentive for continued growth in skills and capabilities.

Additionally, training in a core curriculum of civil defense and emergency management courses is being required for all emergency management personnel. New courses in local mitigation, preparedness, response, and recovery are under development.

6. Do you anticipate releasing a review of how the Stafford Act worked in response to the Loma Prieta earthquake and Hurricane Hugo? If so, when will this review be available?

In the Fiscal Year 1991 Budget Passback, the Office of Management and Budget directed FEMA to evaluate the responses to Hurricane Hugo and the Loma Prieta earthquake. This evaluation was to identify areas of weakness, areas of strength, and lessons learned.

A Task Force was established and comments from offices throughout FEMA and from all Federal and State agencies involved in the disaster response and recovery operations of these disaster were obtained. The internal report is currently under review.

7. Senator Lieberman's questions were: "Why did FEMA allocate only 14 percent of reimbursement funds to the City of Waterford in fiscal year 1991? Is FEMA proposing to reduce the 50 percent reimbursement program to local communities?"

By law, FEMA can reimburse up to 50 percent of salaries and expenses. A State's actual expenses, however, are usually more than double the amount of Emergency Management Assistance (EMA) funds available; thus the FEMA matching percentage is often less than the 50 percent maximum allowable by law.

The State of Connecticut's Office of Emergency Management receives emergency management funding as its share from objective formula calculations. Each State then determines by its own methodology how much to suballocate to its local jurisdictions which meet eligibility requirements.

In fact, the expenses of most States and their jurisdictions well exceed amounts that FEMA could pay at the 50 percent level. The State of California, for example, has just identified a $1,685,833 fiscal year 1991 shortfall in salaries and benefits at the local level.

In order to ascertain the criteria for local suballocation in Connecticut, and in particular the City of Waterford, we recommend that you contact the Connecticut Office of Emergency Management, the address is: Mr. Frank Mancusco, State Director, Office of Emergency Management, 360 Broad Street, Hartford, CT 06105

I hope this has been responsive to your concerns. If you should require additional information, please have a member of your staff contact my Office of Congressional Affairs, 646-4500.

Sincerely,

WALLACE E. STICKLEY
DIRECTOR

FEDERAL EMERGENCY MANAGEMENT AGENCY
WASHINGTON, DC.
April 9, 1991

Hon. JAMES M. JEFFORDS
United States Senate
Washington, DC.

DEAR SENATOR JEFFORDS:

This is in response to your telefax of March 7, 1991, addressed to Mrs. Peggy Philips of our Office of Congressional Affairs.

Enclosed are the answers to your questions concerning several programs administered by the Federal Emergency Management Agency (FEMA). I hope this information will be useful to You. If I can provide additional information, please do not hesitate to contact me or our Office of Congressional Affairs on (202) 646-4500.

Sincerely,

THOMAS F. KRANZ
ASSOCIATE DIRECTOR
Office of Eternal Affairs

QUESTION. Please provide an explanation of the $170,000 reduction in funding for the Vermont Firefighter Training Facility (p. 20 of Budget in Brief).

ANSWER. Funding in the amount of $170,000 was provided in the 1991 appropriation bill (Public Law 101-S07), which was a one-Year increase, for the specific purpose of completing a Hazardous Materials Training center in Vermont. The State of Vermont has submitted a proposal and the United States Fire Administration (USFA) will fund a grant for the project. The USFA staff is working closely with the Vermont Executive Director for dire service Training council on this issue.

QUESTION. what costs does the Federal Emergency management Agency incur for storage of temporary housing trailers?

ANSWER. FEB operates three storage centers where mobile homes are stored, maintained, and refurbished for re-use. The centers are located on current or former military installations, which significantly reduces operating costs. The total cost of operating all three centers for fiscal year 1990 was $420,546. This includes all rental charges for storage and office space, parts and supplies to maintain the homes, and the cost of utilities, communications, and vehicles integral to the operation, and salaries and benefits for seven employees.

QUESTION. The President has announced a high performance computing initiative designed to foster the development of supercomputers and the associated software. Agencies involved in this initiative include the Defense Department, the Environmental Protection Agency, and the National Oceanographic and Atmospheric Administration. The results of this initiative could lead, for example, to better flood prediction or to a better understanding of pollutant dispersion after a chemical or nuclear accident. To what extent is the Federal Emergency Management Agency involved in this initiative and what will the future involvement in this initiative be.

ANSWER. The Federal Emergency Management Agency has been involved in this initiative through its participation on the Federal committee for Meteorological Services and Supporting Research. FEMA supports the initiative and will continue its participation to identify how the information provided by the high performance computer system initiative can be integrated into the emergency response responsibilities of the agency by enabling us to provide earlier and more accurate warnings of impending natural or man-made disasters to alert and protect persons and their property.

QUESTION. Has the Federal Emergency Management Agency looked at the budgetary impacts of using properties controlled by the Resolution Trust Company for temporary housing?

ANSWER. In disaster areas where the Resolution Trust company (RTC) properties are available, our field personnel do provide the RTC as a referral to disaster victims whose homes were totally destroyed and who must locate new permanent housing.

We explored the possibility of using RTC-owned mobile homes in December 1990 and concluded that using RTC properties was not feasible in most situations. FEMA's mobile homes are both standardized and ruggedized, allowing site construction to begin before homes leave the storage centers and giving the homes the capability to be used many times over and transported extremely long distances. The homes under the auspices of the RTC were constructed for the commercial marketplace and are designed for permanent long term housing. There are literally hundreds Of variations in size, floor plans, utility connections, construction materials, fuel types and water collection and distribution systems, to name a few.

The use of non standardized homes would: necessitate constructing custom-designed sites each time the homes were used; require large stores of parts and supplies; and add significantly to transportation and installation costs (the larger the home, the more costly the service). Accordingly, all economies achieved through standardization would be forfeited.

QUESTION. what role is FEMA playing in the drought situation in California?

ANSWER. In California our San Francisco Regional Director, William Medigovich, sits as one of six Federal participants (the others are from the Department of Agriculture, the Department of Interior, and the U.S. Army corps of Engineers) on the Governor'S Drought Action Team. At the headquarters level, our Associate Director for State and Local Programs and Support, Grant C. Peterson, is a member of the Federal Interagency Task Force on the California brought, chaired by the Department of Interior's Assistant secretary for water and Science. To date there has been no basis for application of any of FEMA's program authorities to drought mitigation activities.

QUESTION. with respect to the drought, has FEMA or is FEMA aware of any agency that may have conducted studies on the economic costs and benefits of building a desalinization plant in California to supply a baseline water supply for agriculture as well as human consumption?

ANSWER. FEMA has not conducted such a study, nor are we aware of any such activity at the Federal level.

QUESTION. Outside Bakersfield, California, there is an old winery which has an unused deep well as well as several tens or millions of gallons of unused water storage capacity. This winery is located approximately 1,000 feet from a major aqueduct. Has FEMA or any other Federal agency considered contracting with this winery for water supply or storage for emergency use?

ANSWER. At this time, FEMA has not considered contracting with this winery for emergency water supply or storage and we are not aware or any such activity by other Federal agencies.

GENERAL SERVICES ADMINISTRATION
WASHINGTON, DC.
March 12, 1991

Hon. QUENTIN N. BURDICK
United States Senate
Chairman, Committee on Environment and Public Works, Washington, DC.

DEAR MR. CHAIRMAN:

This letter responds to the Committee's March 4, 1991, request for information on the fiscal year 1992 budget for the General Services Administration (GSA).

Using obligations as an indicator, GSA's fiscal year 1992 program will total about $10.4 billion. Most of this, however, will be financed by our customers, either by rental payments for space they occupy, or by reimbursements and payments to revolving funds. Requested appropriations of $261 million are only about two and one-half percent of the total, and basically support management and oversight of our programs at ongoing levels. We are also asking Congress to enact $4,247 million in new obligational authority, or authority to spend Federal Buildings Fund revenues, to support the full range of real property activities.

GSA's fiscal year 1992 employment is budgeted at the full-time equivalent (FTE) of 19,989 positions, an increase of 272 FTE over fiscal year 1991 levels. This reflects an additional 315 FTE for increased workload under direct and reimbursable real property programs, offset by minor decreases elsewhere.

For additional detail, I am enclosing a summary of fiscal year 1992 budget highlights that should provide the information you need about the request and how it compares to levels provided in fiscal year 1991.

In regard to changes in revenues, GSA does not levy user fees or charges to support its program objectives, but sets rates under revolving funds to recover the cost of goods and services provided. We do bill agencies for space in GSA-controlled buildings, but Rent rates are based on commercially equivalent rates, as required by law, not predetermined operating requirements. We estimate that fiscal year 1992 Rent rates will generate approximately a 14 percent increase over estimated fiscal year 1991 Rent income.

While the agency continues to work with the office of Management and Budget to develop legislative initiatives, none is specifically needed to implement the Agency's fiscal year 1992 budget program. The budget also does not anticipate any rescissions, deferrals, or supplementals for GSA.

I am sorry that the additional questions submitted with your letter could not be answered by the March 11 deadline. We are working on them, and will provide the answers very shortly. I hope this information will assist you in making your recommendations to the Budget Committee.

With best wishes.

Sincerely,

RICHARD G. AUSTIN
ADMINISTRATOR

Congressional presentation

Estimates of appropriations for fiscal year 1992

Highlight summary

General
Services
Administration

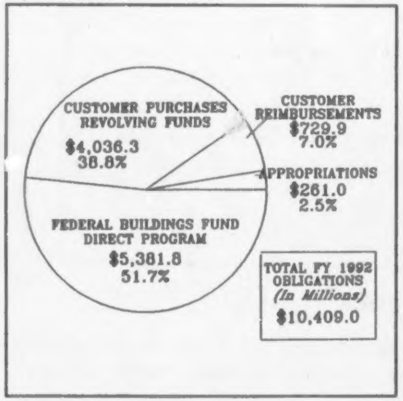
GENERAL SERVICES ADMINISTRATION

GENERAL SUMMARY - 1992 BUDGET ESTIMATES

BACKGROUND. The General Services Administration (GSA) was established by section 101 of the Federal Property and Administrative Services Act of 1949. It is organized into 4 Services responsible for separate agency missions, and into a number of Staff Offices that perform overall program management, administration, and certain Governmentwide regulatory and support functions. Operations are conducted through 8 primary and 3 satellite geographic regions.

This summary pertains to GSA activities and programs financed under the Treasury, Postal Service, and General Government Appropriations Act. This does not include the Consumer Information Center, which is funded under the Department of Veterans Affairs and HUD/Independent Agencies Appropriations Act.

THE 1992 PROGRAM. Using obligations as an indicator, GSA's fiscal year 1992 budget program will total $10.4 billion to provide space, goods, and services to the agency's Federal customers. Programs are financed by 3 basic sources: income from customers; receipts and revenues available under permanent authority; and new appropriations enacted by the Congress.



-- As shown in the figure at the left, new appropriations represent only 2.5% of the program. Of the total $261.0 million, $21.5 million will become available from receipts under permanent authorities, and Congress is requested to enact $239.5 million.

-- Direct Federal Buildings Fund obligations of $5.4 billion are almost 52% of the planned 1992 program, and support the full range of real property functions. Fund income is basically from RENT payments from agencies for occupied space under GSA control, although appropriations are provided to the Fund at times to help finance major acquisitions. Congressional action is required to annually enact new obligational authority to permit use of the Fund revenues.

-- Almost half (46%) of the fiscal year 1992 budget program will be financed by customers through direct reimbursements for services, or through purchase of goods and services under GSA's revolving funds.

Fiscal year 1992 employment supporting these functions is budgeted at 19,989 full-time equivalent (FTE) positions.

GENERAL SERVICES ADMINISTRATION
GENERAL SUMMARY - 1992 BUDGET ESTIMATES (Continued)

SUMMARY AND COMPARISON OF THE REQUEST. Requested fiscal year 1992 appropriations total $261,027,000, as summarized by account in the following table:

APPROPRIATIONS SUMMARY AND COMPARISON
$(Thousands)

	FY 1991 Enacted	FY 1992 Request	CHANGE
Operating Expenses, Federal Supply Service	53,957	54,605	+ 648
Operating Expenses, Information Resources Management Service	39,961	46,014	+ 6,053
Operating Expenses, Federal Property Resources Service	13,386	14,227	+ 841
Real Property Relocation	8,000	8,000	–
General Management and Administration	35,100	31,421	- 3,679
Office of Inspector General	30,997	35,994	+ 4,997
Allowances and Office Staff for Former Presidents	1,964	2,129	+ 165
Appropriations to the Federal Buildings Fund	1,645,733	47,144	-1,598,589
Subtotal, New Appropriations	1,829,098	239,534	-1,589,564
Permanent Budget Authority:			
Expenses, Disposal	3,800	4,117	+ 317
Transportation Contract Audit/Contr. Admin.	17,320	17,376	+ 56
TOTAL APPROPRIATIONS	1,850,218	261,027	-1,589,191

GENERAL SERVICES ADMINISTRATION
GENERAL SUMMARY - 1992 BUDGET ESTIMATES (Continued)

EXPLANATION OF MAJOR CHANGES. In total, requested fiscal year 1992 appropriations are $1.6 billion below amounts enacted for fiscal year 1991. The major changes between the two years are reflected in the following table:

	AMOUNTS $(Thousands)
1991 Appropriations	$ 1,850,218
Capital Appropriations to the Federal Buildings Fund	- 1,598,589
Realignment of Programs from Direct to Reimbursable Funding (Net)	- 5,690
Increased Pay Costs	+ 5,035
Inflation and General Cost Increases	+ 4,935
Office of Inspector General ADP Systems Enhancement	+ 1,816
Transfer to International Cultural and Trade Center Commission	+ 1,240
All Other, Net	+ 2,062
1992 Request, Appropriations	$ 261,027

The largest change between the fiscal years is a substantial decrease in amounts appropriated to the Federal Buildings Fund to help finance major capital projects; $1,645,733,000 was provided in fiscal year 1991, compared to $47,144,000 requested for the budget year. A net decrease of $5.7 million results from realigning certain functions from direct to reimbursable funding as part of the agency's ongoing efforts to ensure full cost recovery through the pricing structure for goods and services; savings from converting Interagency Fleet Management System vehicle auctions and several centralized staff support functions to reimbursable funding are partly offset by increases to appropriated accounts for the costs of these services. An increase of almost $10 million results from pay raises, inflation, and other increased costs of maintaining current program levels. The "all other" entry represents the net effect of a number of relatively-small program changes; all are discussed elsewhere in this Highlight Summary and in detailed Justification materials.

GSA's fiscal year 1992 employment is budgeted at the full-time equivalent (FTE) of 19,989 positions, an increase of 272 FTE over approved fiscal year 1991 levels. This reflects an additional 315 FTE for increased workload under direct and reimbursable real property programs, offset by minor decreases elsewhere.

GENERAL SERVICES ADMINISTRATION
GENERAL SUMMARY - 1992 BUDGET ESTIMATES (Continued)

GSA ORGANIZATION AND ACCOUNT STRUCTURE. The following shows the organizations responsible for accomplishing GSA's varied missions, and the methods by which their programs are funded.

ORG. COMPONENT	MISSION AND ACCOUNT STRUCTURE
PUBLIC BUILDINGS SERVICE (PBS)	Provides construction, acquisition by purchase, and repair/alteration of public buildings, related design and construction services, leasing of space, operation and maintenance of facilities, and overall program management. Operations are conducted under a landlord-tenant type relationship. Activities are supported from the Federal Buildings Fund, a revolving fund basically financed by revenues from RENT payments from agencies that occupy GSA-controlled space; appropriations are also made to the Fund for special purposes. Congress annually enacts new obligational authority (limitations on the use of revenues); customers also provide direct reimbursement for services above standard levels.
FEDERAL SUPPLY SERVICE (FSS)	Provides for the procurement, management, and worldwide distribution of supplies and personal property, the direction and coordination of Governmentwide transportation and travel management programs, and related services. A direct annual appropriation, Operating Expenses, Federal Supply Service, funds property management, transportation audits and services, schedules contracting, and policy activities. Operation of the supply distribution and interagency motor vehicle fleet management systems is financed under the General Supply Fund, a revolving fund. Expenses of contracts with commercial firms for the audit of transportation billings, and administration of the contracts, are financed from overcharges collected from vendors under a permanent appropriation.
INFORMATION RESOURCES MANAGEMENT SERVICE (IRMS)	Coordinates and directs comprehensive Governmentwide programs for the management, procurement, and utilization of ADP, telecommunications, and office information equipment and services. Operating Expenses, IRMS, a direct annual appropriation, funds overall program management, direction, and oversight of Governmentwide programs for the management, procurement, and utilization of ADP, telecommunications, and office information equipment and services, and administrative expenses. Telecommunications and automatic data processing operations are financed under the Information Technology Fund, a revolving fund. Selected ADP and office information services are also provided on a direct reimbursable basis.
FEDERAL PROPERTY RESOURCES SERVICE (FPRS)	Provides for the effective utilization and disposal of excess and surplus real property. Basic operating and administrative costs are supported by a direct annual appropriation, Operating Expenses, FPRS. Certain contract costs associated with real property sales, such as advertising and appraiser, auctioneer, and broker fees, are financed from sales proceeds under permanent authority. The Real Property Relocation appropriation provides for relocating agencies from underutilized sites to permit sale of the valuable properties.
STAFF OFFICES	The Administrator and Staff Offices that provide overall direction, management, and administration of GSA programs, as well as certain Governmentwide policy and regulatory functions, are supported under an annual General Management and Administration appropriation. Inspector General functions are also supported by a direct annual appropriation. Centralized support services by other Staff Offices are provided on a reimbursable basis to GSA and external components. The Working Capital Fund provides fast-turnaround printing and duplicating services for GSA and other agencies.

GENERAL SERVICES ADMINISTRATION
GENERAL SUMMARY - 1992 BUDGET ESTIMATES (Continued)

GSA GENERAL PROVISIONS. The following GSA general provisions contained in the 1991 appropriations act are proposed for deletion in fiscal year 1992 for the reasons noted.

Sec. 5	Directed the transfer of the Avondale, MD site from the Department of the Interior to GSA for use as an OPM traning center; the requirement has been accomplished, and the language is no longer necessary.
Sec. 6	Required GSA's acquisition of property for the construction of a Federal Courthouse at the Beltsville Agricultural Research Center, MD; the requirement has been accomplished, and the language is no longer necessary.
Sec. 7	Directed the transfer of the U.S. Geological Survey Western Region Headquarters from the Secretary of the Interior to GSA; the requirement has been accomplished, and the language is no longer necessary.
Sec. 8	Authorized agencies to make RENT payments to GSA for lease space for expansion needs, and authorized GSA to use the Federal Buildings Fund to carry out the task; this authority is now permanent, so annual language is not needed.
Sec. 9	Prohibited the use of funds appropriated by the Act for the disposal of lands in the vicinity of Norfolk Lake, AR; language should be deleted to permit GSA to properly fulfill its real property disposal responsibilities under the Federal Property and Administrative Services Act.
Sec. 10	Prohibited the use of funds appropriated by the Act for the disposal of lands in the vicinity of Bull Shoals Lake, AR; language should be deleted to permit GSA to properly fulfill its real property disposal responsibilities under the Federal Property and Administrative Services Act.
Sec. 11	Authorized the Administrator of GSA to sell the John W. McCormack Post Office and Courthouse in Boston, MA; language is no longer necessary.
Sec. 12	Required the Administrator of GSA to provide storage space to establish the National Long Term Records Center in Pittsfield, MA, and to provide public space for a satellite facility of the New England Regional Archives; language is no longer necessary.
Sec. 13	Authorized reimbursements for child care services; language unnecessarily duplicates section 625 of the Governmentwide general provisions.
Sec. 16	Authorized GSA to sell the Federal Building in Charleston, WV; language is no longer necessary.
Sec. 17	Authorized GSA to sell the Federal Building and Courthouse in Minneapolis, MN, and to use proceeds from the sale, other amounts in the Federal Buildings Fund, and donations from the City of Minneapolis for the construction of a new Federal Building and U.S. Courthouse; language is no longer necessary.
Sec. 18	Required GSA to issue a request for proposals for the procurement of move management services; the requirement is accomplished, and the language is no longer necessary.
Sec. 19	Authorized GSA to lease space in the Harlem International Trade Center; language is no longer necessary.
Sec. 20	Required GSA to maintain during FY 1991 the vehicle rental rates and per mile rates charged for the Bureau of Indian Affairs; the language applies to FY 1991 only, and should not be repeated since it prevents full recovery of the cost of services provided to agencies.
Sec. 21	Limited the amount available in the Federal Buildings Fund for program direction and centralized services; language is no longer necessary.

GENERAL SERVICES ADMINISTRATION

FEDERAL BUILDINGS FUND

The Federal Buildings Fund is a revolving fund which, from revenues derived from rental charges to Federal Agencies for space which they occupy in Government-owned or leased buildings, finances all aspects of the GSA real property program. These programs include the acquisition of space through direct Federal construction or purchase of existing buildings; the repair and alteration of public buildings; payment of liabilities for facilities acquired through purchase contract authority; acquisition of space through leasing from the private sector; the day-to-day operation of Government-owned and leased facilities; and general management and administration of all real property programs.

PROGRAM BY ACTIVITIES

$(Thousands)

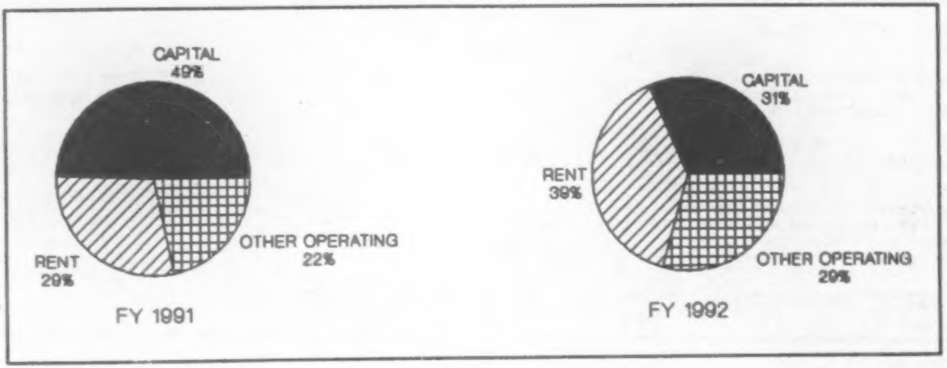
	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Construction & Acquisition of Facilities	169,456	1,460,678	477,021	-983,657
Repairs and Alterations	578,533	790,252	569,251	-221,001
Design & Const. Services	150,117	247,665	143,072	-104,593
Installment Acq. Payments	126,752	136,579	144,587	+8,008
Rental of Space	1,365,936	1,545,100	1,665,900	+120,800
Real Property Operations	964,073	1,037,200	1,107,372	+70,172
Program Direction	68,020	122,474	139,748	+17,274
TOTAL, NEW OBL. AUTH	3,422,887	5,339,948	4,246,951	-1,092,997
Compensable Workyears	9,364	9,368	9,683	+315

Explanation of Changes	
NET CHANGE IN CAPITAL PROGRAMS	-1,301,243
PAY INCREASE	+20,919
RENTAL RATE INCREASE	+66,873
EXPANSION SPACE FOR AGENCIES	+93,432
RELEASE OF SPACE	-39,505
NET PROGRAM ENHANCEMENTS	+4,271
INFLATIONARY INCREASES	+45,888
OTHER	+16,368
TOTAL CHANGE	-1,092,997

FY 1992 PROGRAM PERSPECTIVE: Requested new obligational authority will support GSA's provision of real property management services at a level commensurate with that of the previous fiscal year. Income from Rent charged to other agencies furnishes the bulk of FBF resources; a small direct appropriation in FY 1992 ($47.1 million) supplements this total resource level. Additional details on each of the FY 1992 real property activities can be found on the following pages.

GENERAL SERVICES ADMINISTRATION
FEDERAL BUILDINGS FUND (Continued)

The charts below compare the percentage distribution of New Obligational Authority (NOA) available for fiscal years 1991 and 1992 by the major FBF programs (Capital, Rent, and Other Operating Programs). The Capital Program components of the FBF represent a much higher percentage of total FBF programs in fiscal year 1991 than in fiscal year 1992. Over half of the fiscal year 1991 Capital Program was financed by a one-time appropriation to the FBF of $1.6 billion. Without significant appropriations to the Fund for capital projects, Rent and Other Operating Programs will continue to consume the preponderance of FBF resources in fiscal year 1992 and in future years.



Capital Programs include: Construction and Acquisition, Repairs and Alterations, Design and Construction and Installment Acquisition Payments.

Other Operating Programs include: Real Property Operations and Program Direction.

GENERAL SERVICES ADMINISTRATION

Federal Buildings Fund

CONSTRUCTION AND ACQUISITION OF FACILITIES

This no-year activity provides suitable facilities to house Federal agencies through direct construction of new buildings, extensions to existing buildings, and the purchase of commercial buildings from the private sector. This activity funds site acquisition and construction costs only; design and supervision costs for all projects are funded by the Design and Construction Services activity.

PROGRAM BY ACTIVITIES

$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes
New Construction Projects:					
FY 1992 Projects	--	--	468,921	+468,921	THE 1992 CONSTRUCTION PROGRAM DOES NOT ENVISION A LARGE DIRECT APPROPRIATION FOR NEW PROJECTS COMPARABLE TO THAT GRANTED IN 1991 -914,602
FY 1991 Projects	--	1,383,523	--	-1,383,523	
FY 1990 Projects	110,323	--	--	--	
Subtotal, New Construction	110,323	1,383,523	468,921	-914,602	NO GRANTS TO VARIOUS ENTITIES ARE REQUESTED IN 1992 -71,700
Reprogramming	30,613	--	--	--	FUNDING TO REPAY THE TREASURY JUDGEMENT FUND FOR A CLAIM RELATED TO THE FEDERAL BUILDING IN BOSTON, MA +2,645
Purchase of Commercial Bldgs	500	--	--	--	
Non-Prospectus Projects	2,000	5,000	5,000	--	
Grants	23,090	71,700	--	-71,700	TOTAL -983,657
Project Claims	2,930	455	3,100	+2,645	
Total, New Oblig. Authority	169,456	1,460,678	477,021	-983,657	
Compensable Workyears	--	--	--	--	

FY 1992 PROGRAM PERSPECTIVE: The FY 1992 Construction and Acquisition of Facilities activity places primary emphasis on the direct construction of Government-owned space, emphasizing general purpose office space and facilities for the U.S. Courts.

GENERAL SERVICES ADMINISTRATION
Federal Buildings Fund
CONSTRUCTION AND ACQUISITION OF FACILITIES (Continued)

DETAIL OF NEW OBLIGATIONAL AUTHORITY
$(Thousands)

FY 1992

New Construction:	
Menlo Park, CA, U.S. Geological Survey Office-Laboratory Buildings (escalation)	11,047
Washington, DC, Department of Transportation Headquarters Building	444,302
Fort Myers, FL, Federal Building and U.S. Courthouse	977
Tallahassee, FL, U.S. Courthouse Annex	3,764
Reno, NV, C. Clifton Young Federal Building, U.S. Courthouse Annex	307
Charlotte Amalie, Saint Thomas, VI, U.S. Courthouse Annex	8,524
Subtotal, New Construction	468,921
Claim:	
Boston, MA, Thomas P. O'Neil Federal Building	3,100
Non-prospectus projects	5,000
Total, New Obligational Authority	477,021

GENERAL SERVICES ADMINISTRATION
Federal Buildings Fund
REPAIRS AND ALTERATIONS

Repairs and Alterations of public buildings are funded under this activity. Health and safety, state of repair, and operating efficiency of facilities are the principal criteria used in establishing priorities of work, with primary consideration given to repairs to prevent deterioration and damage to the buildings, their support systems, and necessary operating equipment. Estimates are for costs of construction only; design and supervision costs are included in the Design and Construction Services activity.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Line Item Projects (projects over 1,525,000)	307,743	305,815	299,251	-6,564
U.S. Mexico Border Facility Projects	54,681	211,660	–	-211,660
Non-line Item Projects	216,109	272,777	270,000	-2,777
Total, New Oblig. Authority	578,533	790,252	569,251	-221,001
Compensable Workyears	–	–	–	–

Explanation of Changes

CHANGES FROM 1991 TO 1992 ARE CATEGORIZED BY MAJOR FUNCTIONAL AREA AS FOLLOWS:

A. HEALTH AND SAFETY	-4,150
B. REPAIR AND MODERNIZATION	+36,282
C. U.S. COURTS	-11,679
D. RECAPTURE OF VACANT SPACE	-26,997
E. U.S./MEXICO BORDER FACILITIES	-211,660
F. NON-LINE ITEM PROJECTS	-2,777
TOTAL	-221,001

FY 1992 PROGRAM PERSPECTIVE: The FY 1992 program reflects a continuing emphasis on the repair and modernization of Federal Buildings. Other functional areas show modest decreases except for a major decrease in U.S.-Mexico border stations which reflects the completion of funding for this category in FY 1991.

GENERAL SERVICES ADMINISTRATION
Federal Buildings Fund
REPAIRS AND ALTERATIONS (Continued)

FY 1992 LINE ITEM PROJECT LISTING
$(Thousands)

Category/Project	
HEALTH AND SAFETY	
Houston, TX, Bob Casey Federal Building and U.S. Courthouse	7,222
District of Columbia, Federal Building 10A	16,527
Worcester, MA, Harold D. Donahue Federal Building and U.S. Courthouse	10,331
District of Columbia, New Executive Office Building	8,083
Billings, MT, Federal Building, U.S. Courthouse	1,919
San Antonio, TX, Federal Building	4,084
Subtotal, Health and Safety (6 projects)	48,166
REPAIR AND MODERNIZATION	
Philadelphia, PA, Robert N. C. Nix, Sr., Federal Building and U.S. Post Office	10,000
Boston, MA, John Fitzgerald Kennedy Federal Bldg and Govt Center (phase 2)	36,800
New York, NY, Alexander Hamilton Custom House (phase 1)	20,273
Louisville, KY, Federal Building	15,470
Austin, TX, IRS, Department of Veterans Affairs, Treasury Complex	11,366
Albuquerque, NM, Dennis Chavez Federal Building and U.S. Courthouse	3,846
Buffalo, NY, Michael J. Dillon Memorial United States Courthouse	5,962
Kansas City, MO, Federal Office Building	5,256
District of Columbia, Housing and Urban Development Building	5,365
District of Columbia, Justice Building	7,495
Cincinnati, OH, John Weld Peck Federal Building	2,537
District of Columbia, Herbert Clark Hoover Department of Commerce Building	3,857

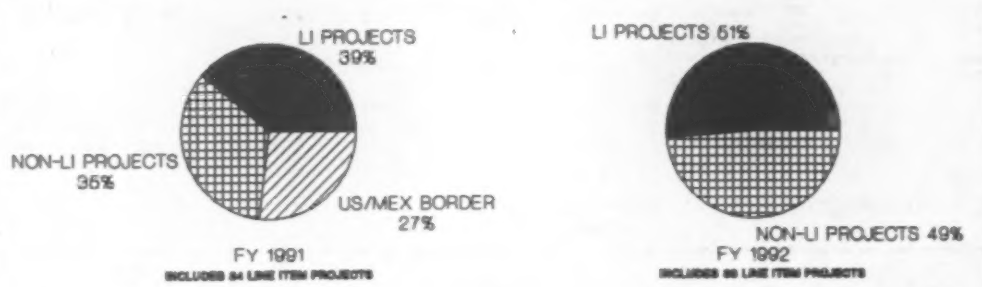
GENERAL SERVICES ADMINISTRATION
Federal Buildings Fund
REPAIRS AND ALTERATIONS (Continued)

FY 1992 LINE ITEM PROJECT LISTING (Continued)
$(Thousands)

REPAIR AND MODERNIZATION (continued)	
New York, NY, Jacob K. Javits Federal Building	11,955
Brooklyn, NY, Emanuel Cellar Federal Building and U.S. Courthouse (phase 1)	8,729
Chicago, IL, John C. Kluczynski Federal Building	20,335
District of Columbia, Old Executive Office Building	19,000
Salt Lake City, UT, Frank E. Moss U.S. Courthouse	4,872
Sacramento, CA, Federal Building, 801 I Street	9,529
Salt Lake City, UT, Wallace F. Bennett Federal Building	3,254
Galveston, TX, Post Office and U. S. Courthouse	3,310
Scranton, PA, Federal Building and U.S. Courthouse	2,600
Hartford, CT, William R. Cotter Federal Building	3,814
Pasadena, CA, Court of Appeals and Federal Building	9,218
District of Columbia, Wilbur J. Cohen Federal Building	15,000
Subtotal, Repair and Modernization (24 projects)	239,843
PROJECTS IN SUPPORT OF U.S. COURTS	
Santa Rosa, CA, John F. Shaw Federal Building	1,583
Columbus, OH, Federal Building and U.S. Courthouse	3,348
Baltimore, MD, Edward A. Garmatz Federal Building U.S. Courthouse	6,311
Subtotal, U.S. Courts (3 projects)	11,242
RECAP:	
Line Item Projects, Total (33 projects)	299,251
Non-line Item Projects, Total	270,000
Total FY 1992 New Obligational Authority	569,251

FY 1991 AND FY 1992 PROGRAMS COMPARED

The pie charts below compare the percentage distribution of New Obligational Authority (NOA) available for fiscal years 1991 and 1992 between Line Item and Non-line Item Projects. Twenty seven (27) percent of the fiscal year 1991 program is devoted to U.S./Mexico Border Stations which completes a multi-year program to provide funding for upgrading/expansion of existing border facilities and new facilities where required.



Line-Item projects are those larger projects for which a prospectus is required and for which over $1,525,000 is planned to be obligated within a fiscal year. The dollar amount relating to prospectus authorization may be adjusted annually by the Administrator to reflect a percentage increase or decrease in construction cost during the preceding fiscal year.

GENERAL SERVICES ADMINISTRATION

Federal Buildings Fund

DESIGN AND CONSTRUCTION SERVICES

This budget activity provides for the direct funding, under a no-year authorization, of both in-house and contract costs for the design and management/inspection phases of new construction and repairs and alterations projects, as well as non-project related technical services.

PROGRAM BY ACTIVITIES

$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes
Technical Services Related to Design, Construction and Contract Review	150,117	247,665	143,072	-104,593	CHANGES FROM 1991 TO 1992 FOR DESIGN AND CONSTRUCTION SERVICES CATEGORIZED AS FOLLOWS:
					NEW CONSTRUCTION -45,460 NON-LINE ITEM REPAIRS/ALTER. -6,000 LINE ITEM REPAIRS/ALTERATIONS:
Total, New Oblig. Authority	150,117	247,665	143,072	-104,593	DESIGN -7,533 CONSTRUCTION +183 TECHNICAL SERVICES -31,348 OTHER -13,905
Compensable Workyears	695	726	801	+75	TOTAL -104,593

FY 1992 PROGRAM PERSPECTIVE: Decreased resources for this activity in fiscal year 1992 is directly related to relatively smaller construction and renovation programs.

GENERAL SERVICES ADMINISTRATION

Federal Buildings Fund

INSTALLMENT ACQUISITION PAYMENTS

Through a law enacted in 1972, GSA built 68 facilities under purchase contract arrangements. These purchase contracts require the Government to make periodic payments of principal, interest, and taxes until title is vested with the Government after 30 years of such payments. It also provides for similar payment of principal, interest and other required obligations for lease purchase facilities which have been individually authorized by Congress since 1987.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Purchase Contract Projects Under 1972 Law: 62 proj.	126,752	131,300	129,938	-1,362
Individual Lease Purchase Contracts: 2 projects	--	5,279	14,649	+9,370
Total, New Oblig. Authority	126,752	136,579	144,587	+8,008
Compensable Workyears	--	--	--	--

Explanation of Changes	
CHANGES FROM 1991 TO 1992 ARE CATEGORIZED AS FOLLOWS:	
FY 1972 ACT:	
PRINCIPAL	+1,910
INTEREST	-3,576
TAXES	+304
ADMIN. EXP.	--
LEASE-PURCHASE:	
INTEREST	+9,370
TOTAL	+8,008

FY 1992 PROGRAM PERSPECTIVE: New Obligational Authority for payment of interest will increase (+$9,370) as debt is established to provide funds for design and construction of the lease purchase facilities authorized since 1987. This increase is partially offset as annual payments of principal and interest for facilities completed under the 1972 Act decline (-$1,362).

GENERAL SERVICES ADMINISTRATION
Federal Buildings Fund
RENTAL OF SPACE

This activity provides for all costs related to the acquisition of leased space, including payments for existing leases, projected new leases to be negotiated, rental rate increases estimated to occur and for all related building services furnished by lessors under the terms of lease agreements.

PROGRAM BY ACTIVITIES
$(Thousands)

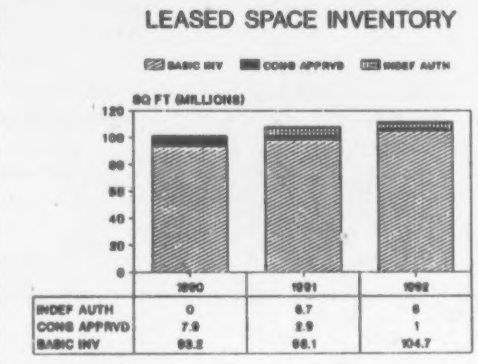
	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes	
Rental of Leased Space and Related Services	1,330,524	1,507,503	1,625,390	+117,887	AGENCY EXPANSION SPACE ACQUIRED IN 1991 AND 1992	+93,432
Payments to USPS	35,412	37,597	40,510	+2,913	RELEASE OF LEASED SPACE IN 1991 AND 1992	-39,505
					COMMERCIAL RENTAL RATE INCREASES IN 1991 AND 1992	+66,873
Total, New Oblig. Authority	1,365,936	1,545,100	1,665,900	+120,800	TOTAL	+120,800
Compensable Workyears	–	–	–	–		

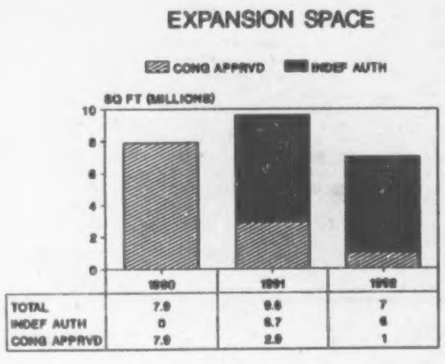
FY 1992 PROGRAM PERSPECTIVE: During FY 1992, GSA will continue its efforts to reduce leased space and associated costs. Programs to support this objective include replacement of leased space with Governm[illegible]wned space where economically justified through direct Federal construction, installment (lease) purchase agre[illegible], and renovation; more efficient use of existing space; and the identification and disposal of unneeded space.

The goal for office space utilization remains at 135 square feet per employee.

ANALYSIS OF EXPANSION REQUIREMENTS

New Obligational Authority requested in FY 1992 supports only one (1) million square feet of agency expansion space. If agencies continue to demand additional space in FY 1992 commensurate with that provided in previous years, GSA will make use of the authority provided by Section 8(a) of Public Law 101-509. This section authorizes agencies to make rent payments to GSA for leased space related to expansion needs of the agencies and for GSA to use such funds in addition to funding received from Congress for Rental of Space.


LEASED SPACE INVENTORY


EXPANSION SPACE

Indefinite Authority - Expansion space acquired using Section 8(a); Congressionally Approved - Expansion space acquired using funding approved in Annual Appropriation Acts; Basic Inventory - Leased space in inventory net of expansion space.

GENERAL SERVICES ADMINISTRATION

Federal Buildings Fund

REAL PROPERTY OPERATIONS

This activity provides for operation of all Government-owned facilities under the jurisdiction of GSA, and for building services in leased space in the GSA inventory where the terms of the lease do not require the lessor to furnish them. Space, operations, and services are furnished by GSA to its tenant agencies in return for payment of the Rent charge, just as the private sector tenants pay rent for space and services provided by lessors. GSA budgets directly for all delegated buildings and transfers funding to the participating agencies through a system of allocation accounts.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Cleaning	167,268	180,831	191,648	+10,817
Utilities and Fuel	178,455	188,584	202,235	+13,651
Maintenance	133,924	142,802	160,708	+17,906
Other Buildings Services	104,057	111,898	135,127	+23,229
Fire and Lifesafety	12,179	13,768	14,439	+671
Protection	62,996	66,340	71,256	+4,916
Other Staff support	91,364	81,717	88,978	+7,261
Delegated Buildings	202,130	202,384	216,206	+13,822
ADP Support	11,700	14,870	26,775	+11,905
Total, New Oblig. Auth.	964,073	1,003,194	1,107,372	+104,178
Compensable Workyears	8,252	8,180	8,392	+212

Explanation of Changes	
BUILDINGS SERVICES IN NEW SPACE (NET OF SPACE RELEASED)	+12,382
PROGRAM ENHANCEMENTS	+37,643
INCREASED FUEL AND UTILITY COSTS	+11,264
INFLATIONARY IMPACT ON CONTRACTS, SUPPLIES AND MATERIALS	+17,379
ENERGY SAVINGS	-4,440
OTHER CHANGES	+29,951
TOTAL CHANGE	+104,178

FY 1992 PROGRAM PERSPECTIVE: The FY 1992 program provides for a level of buildings services to tenant agencies commensurate with that provided in FY 1991. Fiscal year 1992 program enhancements include 1) additional funding related to relocation of telecommunications equipment, 2) increased funding for ADP equipment maintenance and software and 3) increased funding and FTE for workload in new GSA-controlled space.

GENERAL SERVICES ADMINISTRATION

Federal Buildings Fund

PROGRAM DIRECTION

The Program Direction Activity provides for the overall general management, long and short-range planning, development of policy, program control and evaluation, and administration of all real property programs which are the responsibility of the Public Buildings Service.

PROGRAM BY ACTIVITIES

$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Overall Direction	29,432	31,125	33,591	+2,466
Centralized Services	18,828	69,186	83,382	+14,196
ADP Support	19,650	22,125	22,775	+650
Delegated Buildings	110	38	--	-38
Total, New Oblig. Authority	68,020	122,474	139,748	+17,274
Compensable Workyears	417	462	490	+28

Explanation of Changes	
INCREASED PAYMENT TO LABOR DEPT FOR ACCIDENT/UNEMPLOYMENT COMPENSATION	+800
INFLATIONARY IMPACT ON SUPPORT SERVICES	+1,366
FERS/PAY RAISE	+1,338
REPLACEMENT/CONVERSION OF THE PBS INFORMATION SYSTEM AND MAINT. OF PRESENT SYSTEM	+1,800
PAYMENT TO GM&A FOR CENTRALIZED SUPPORT SERVICES	+11,970
TOTAL CHANGE	+17,274

FY 1992 PROGRAM PERSPECTIVE: General management activities are continued at the same program level as FY 1991. Emphasis is placed on maintaining and converting the PBS automated information system. The major change for fiscal year 1992 in an increased payment to the General Management and Administration account for additional support services which are converting from direct to reimbursable funding.

GENERAL SERVICES ADMINISTRATION

OPERATING EXPENSES, FEDERAL SUPPLY SERVICE

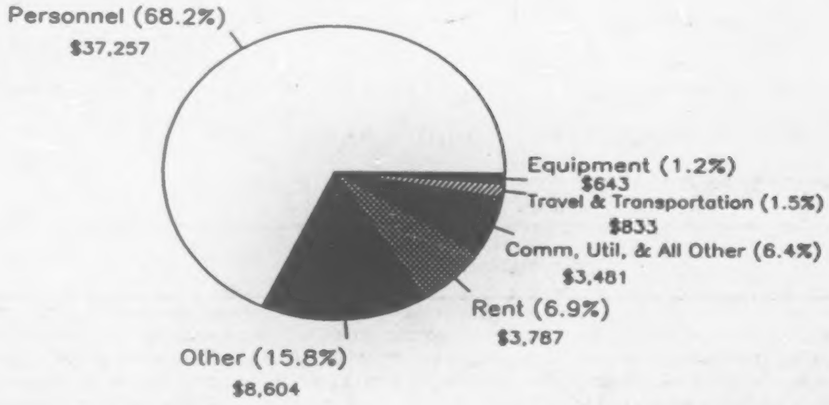
The Federal Supply Service (FSS) provides and supports a worldwide logistics supply system to contract for and distribute supplies and personal property to Federal agencies and other authorized users; provides transportation and travel management regulations and services, including transportation audits; and manages the Interagency Federal Fleet Management System. It also provides a Governmentwide program for utilization, donation and sale of excess and surplus personal property. Supply Operations functions are funded through the General Supply Fund under industrial funding. The major objective of these programs is to provide excellent support and services to customers while maximizing operational efficiency and continuing to reduce the cost of government.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes	
Supply	$14,663	$18,953	$19,466	+$513	GOVERNMENTWIDE AVIATION MANAGEMENT	+$108
Transportation	15,342	15,674	16,782	+1,108		
Property Management	16,808	19,330	18,357	-973	IPMS VEHICLE REIMBURSABLE AUCTIONS	-1,635
Total Obligations	$46,813	$53,957	$54,605	+$648	PAYMENT TO GM&A FOR CENTRALIZED SUPPORT SERVICES	+279
					INFLATION AND RENT	+523
Unoblig. Bal. Lapsing	756	-	-	-	ADP INITIATIVE	-81
Budget Auth. (Apprn.)	$47,569	$53,957	$54,605	+$648	PART YEAR AND ANNUALIZED COST OF PAY RAISE	+1,454
					TOTAL CHANGE FOR 1992	+$648
Compensable Workyears	883	866	818	-48		

FY 1992 PROGRAM PERSPECTIVE: The fiscal year 1992 estimate maintains the same approximate level of resources for the Federal Supply Service to perform its property management, transportation services, transportation audits, schedules contracting, and policy and agency liaison responsibilities.

FISCAL YEAR 1992 OE, FSS OBLIGATIONS
BY COST CATEGORY
(Dollars in Thousands)



TOTAL = $54,605

GENERAL SERVICES ADMINISTRATION

EXPENSES OF TRANSPORTATION AUDIT CONTRACTS AND CONTRACT ADMINISTRATION

A special fund through which the expenses of transportation audit contracts and contract administration are financed from overcharges (receipts) from carriers on transportation bills paid by the Government. Contract audit firms are used to identify and collect carrier overcharges. Public Law 99-88 provides that expenses of Transportation Audit Contracts and Contract Administration activities shall be financed from overcharges collected from carriers on transportation bills paid by the Government and other similar type refunds. Public Law 99-627 further provides prepayment audit authority for selected transportation bills, permanent authority to pay transportation audit contractors from carrier overpayments collected, and authority to transfer net overpayments collected to the Treasury.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes	
Audit Contracts	$7,981	$12,500	$13,000	+$500	Increased audit contracts	+$500
Contract Administration	1,523	4,820	4,376	-444	Electronic data interchange contract	-500
					Price inflation	+9
Budget Authority (apprn. special fund, indefinite)	$9,504	$17,320	$17,376	+$56	Part year and annualized cost of pay raise	+47
Compensable Workyears	11	46	46	-		
Receipts from Overcharges Collected	$39,400	$64,000	$66,000	+$2,000	Total Change for 1992	+$56

FY 1992 PROGRAM PERSPECTIVE: For fiscal year 1992, contract audit and contract administration expenses are estimated at $17.4 million. Total collections are estimated at $66 million.

GENERAL SERVICES ADMINISTRATION

OPERATING EXPENSES, INFORMATION RESOURCES MANAGEMENT SERVICE

This activity provides for the overall direction and coordination of comprehensive Governmentwide programs for the management, procurement and utilization of automatic data processing, telecommunications, and office information equipment and services. It also provides for the development and coordination of Governmentwide policies, procedures and regulations pertaining to ADP, telecommunications, and office information systems acquisition, management and utilization. Other functions provided are information services to the public; overall management of operations financed through the Information Technology Fund; and the Information Security Oversight Office.

PROGRAM BY ACTIVITIES

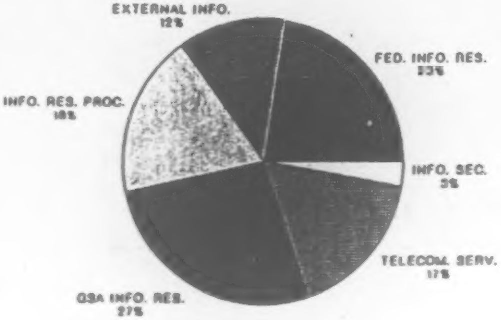
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Fed Info Res Mgmt	$7,921	$9,508	$10,407	$899
Ext Info Svcs	4,646	5,091	5,722	631
Info Res Procurement	5,204	6,618	8,429	1,811
GSA Info Res Mgmt	7,175	11,212	12,370	1,158
Telecom Svcs	5,823	6,283	7,796	1,513
Info Sec Oversight Ofc	970	1,199	1,240	41
Nat Sec Emer Preparedness	1	50	50	-
Total Obligations	$31,740	$39,961	$46,014	$6,053
Unob Bal Lapsing	665	-	-	-
APPROPRIATION (Adjusted)	$32,405	$39,961	$46,014	$6,053
Total Compensable Workyears	385	343	364	+21

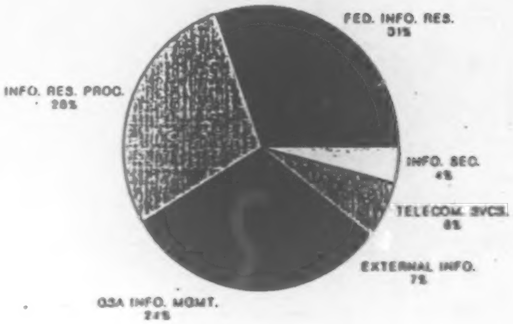
Explanation of Changes	
REVIEW ADP SUPPORT ACQUISITIONS	+265
INCREASE IN SCHEDULES PROGRAM	+580
OFFICE AUTOMATION FOR SCHEDULES PROGRAM	+380
OFFICE AUTOMATION FOR SYSTEMS AND SERVICES DIVISION	+220
QUALITY ASSURANCE	+335
PAYMENTS TO GENL MGMNT & ADMIN ACCOUNT FOR CENTRALIZED SUPPORT SERVICES	+2,226
OTHER CHANGES (PART YEAR AND ANNUALIZED COST OF PAY RAISE, PMS/PMRS AWARDS, FERS, INFLATION AND AN INCREASE IN RENT	+2,047
TOTAL CHANGES FOR FY 1992	+6,053

GENERAL SERVICES ADMINISTRATION
OPERATING EXPENSES, INFORMATION RESOURCES MANAGEMENT SERVICE (Continued)

OBLIGATIONS BY ACTIVITY
TOTAL -- $46,014,000



WORKYEARS BY ACTIVITY
TOTAL -- 364



GENERAL SERVICES ADMINISTRATION

OPERATING EXPENSES, FEDERAL PROPERTY RESOURCES SERVICE

Provides for management of programs for the utilization and disposal of excess and surplus Federal real property. It also provides for the utilization survey, deed compliance inspection, appraisal, environmental and cultural analysis, and land use planning functions pertaining to excess and surplus real property.

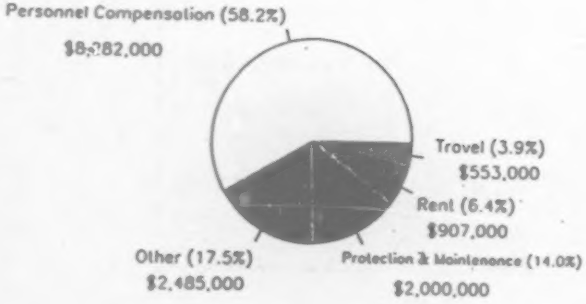
PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes	
Real Estate Policy & Sales	$10,577	$13,386	$14,227	+$841	FY 1991 & 1992 Cost of Pay Raise	+$350
Total Obligations	10,577	13,386	14,227	+841	RENT Increase	+111
Unoblig. Balance Lapsing	285	-	-	-	Goods and Services Inflation	+14
Budget Authority	10,862	13,386	14,227	+841	Payment to GM&A for Centralized Support Services	+366
Appropriation	11,072	13,386	14,227	+841		
Permanent Authority: Appropriations	-	+46,000	-	+46,000	Total Change for 1992	+$841
Transferred to Other Accounts	-210	-46,000	-	-46,000		
Appropriation (Adjusted)	$10,862	$13,386	$14,227	+$841		
Compensable Workyears	152	160	160	-		

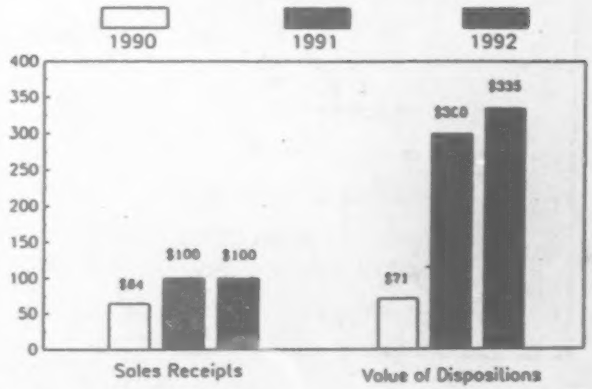
FY 1992 PROGRAM PERSPECTIVE: The resource level requested for FY 1992 will permit the Federal Property Resources Service to continue real property management activities at approximately the same level as FY 1991.

GENERAL SERVICES ADMINISTRATION
OPERATING EXPENSES, FEDERAL PROPERTY RESOURCES SERVICE (Continued)

FY 1992 Operating Expenses
Total – $14,227,000



Office of Real Estate Policy & Sales
Workload Data--FY 1990 - 1992
($ in Millions)



GENERAL SERVICES ADMINISTRATION

REAL PROPERTY RELOCATION

This appropriation provides for relocation costs involved in moving agencies from valuable underutilized property, targeted for public sale, to facilities determined to be more economically suitable to their needs. The sale of these valuable underutilized properties would provide significant revenue to the Treasury and would far outweigh the relocation costs involved.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes
Relocation Expenses	$2,733	$20,434	$8,000	-$12,434	
Total Obligations	2,733	20,434	8,000	-12,434	NO CHANGE
Unoblig. Bal. Avail. SOY	-7,225	-12,434	-	+12,434	
Unoblig. Bal. Avail. EOY	12,434	-	-	-	
Budget Authority (Apprn.)	$7,942	$8,000	$8,000	$0	

FY 1992 PROGRAM PERSPECTIVE: This appropriation for FY 1992 in the amount of $8,000,000 maintains the same level of activity as FY 1991.

GENERAL SERVICES ADMINISTRATION

SALARIES AND EXPENSES, GENERAL MANAGEMENT AND ADMINISTRATION

This activity provides for policy direction and coordination of all GSA programs by the Administrator, Deputy Administrator, and Regional Administrators. It also provides for congressional and public affairs activities; agencywide acquisition policy, including the Federal Acquisition Regulation; the Board of Contract Appeals; the Regulatory and Information Service Center; Indian Trust Accounting; and a transfer to the International Cultural and Trade Center Commission.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992
Policy Direction	$26,757	$27,956	$21,639	-$6,317
Comptroller	55,015	3,125	3,467	+342
Administration	37,038	-	-	-
Board of Contract Appeals	3,009	4,019	5,075	+1,056
Grant Program	12,984	-	-	-
Transfer of Appn to ICTC	-	-	1,240	+1,240
Unoblig. Bal. Lapsing	989	-	-	-
APPROP'N (Adjusted)	$135,792	$35,100	$31,421	-$3,679
Compensable Workyears	2,010	416	315	-101

Explanation of Changes	
OFFICE SPACE EXPANSION	+115
TRANSFER OF APPROPRIATION TO ICTC	+1,240
CENTRALIZED SUPPORT SERVICES	-469
REALIGNMENT OF PROGRAMS (-101 FTE)	-4,770
PAY RAISE	+1,081
RENT INCREASES	+534
ANNUALIZED FY 91 EXECUTIVE PAY	+373
INFLATION & OTHER	+227
TOTAL CHANGE FROM 1991 (-101 FTE)	-$3,679

NOTE: All GMA was directly funded in 1990; centralized internal staff support functions are reimbursably funded in 1991 and 1992.

FY 1992 PROGRAM PERSPECTIVE: Additional conversions from direct to reimbursable financing are included in the reimbursable budget for the Business Service Centers, Small and Disadvantaged Business program, Equal Employment Opportunity Programs, and Ethics and Civil Rights Program. This will provide for all support programs to be reimbursed by the benefiting accounts.

GENERAL SERVICES ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General provides for agencywide audit and investigative functions to identify and correct management and administrative deficiencies within GSA which create real or potential conditions for fraud, corruption and mismanagement.

PROGRAM BY ACTIVITIES
$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes	
Annual Authority	$24,954	$29,997	$33,594	$3,597	CONTINUED ADP SYSTEMS IMPLEMENTATION	+$1,816
No-Year Authority	1,000	1,000	2,400	1,400	INCREASED TRAINING	+60
					CAREER LADDER OBLIGATIONS AND INCREASED FERS COSTS	+1,485
Unoblig. Balance Lapsing	442	-	-	-	PART YEAR & ANNUALIZED COST OF PAY RAISE	$1,047
	———	———	———	———	EXTRA PAID DAY IN FY 1992	+90
APPROPRIATION (Adjusted)	$26,396	$30,997	$35,994	+$4,997	PRICE ESCALATION IN RENT	+186
Compensable Workyears	411	435	435	-	PAYMENTS TO GM&A FOR CENTRALIZED SUPPORT SERVICES	+313
					TOTAL CHANGE FROM 1991	+$4,997

FY 1992 PROGRAM PERSPECTIVE: The OIG's principal functions include: the detection and investigation of fraud and abuse, and the identification and reporting of instances of waste, inefficiency and mismanagement. The investigations program has consistently resulted in numerous successful referrals for prosecution or administrative action. Audit services provided by the OIG are either internally directed, addressing all the facets of agency operations, programs and activities, or externally directed, through preaward and postaward auditing of GSA's contracts.

GENERAL SERVICES ADMINISTRATION

ALLOWANCES AND OFFICE STAFF FOR FORMER PRESIDENTS

Provides for pensions, office staffs, and related expenses for former Presidents. This appropriation also provides for the pension and cost of postal franking privileges for the widow of former President Johnson.

PROGRAM BY ACTIVITIES

$(Thousands)

	FY 1990	FY 1991	FY 1992	Changes 1991 to 1992	Explanation of Changes	
Allowance & Pensions	$439	$544	$576	+$32	Increased costs for the following:	
Office Staff	1,272	1,420	1,553	+133	- Rate change for Former President Reagan's Office Staff	-$45
Total Obligations	$1,711	$1,964	$2,129	+$165	- Pay raise for Pensions - Inflation - RENT increases	+$32 +38 +140
Unobligated Balance Lapsing	97	-	-	-	Total Change from 1991	+$165
APPROPRIATION (Adjusted)	$1,808	$1,964	$2,129	+$165		

FY 1992 PROGRAM PERSPECTIVE: The FY 1992 request will allow for continued funding of pensions, office staff and related expenses for former Presidents Nixon, Ford, Carter, and Reagan and for the pension and franking privileges for the widow of former President Johnson. There are no discretionary increases included in the funding requested.

TENNESSEE VALLEY AUTHORITY,
KNOXVILLE, TENNESSEE
March 12, 1991

Hon. QUENTIN N. BURDICK
United States Senate
Chairman, Committee on Environment and Public Works, Washington, DC.

DEAR MR. CHAIRMAN:

The Tennessee Valley Authority has enclosed statements to be included in the Committee on Environment and Public Works' fiscal year budget review record. Also enclosed are responses to the specific questions from Senator Chafee, Ranking Minority Member. Please advise if additional information is needed.

Best regards,

MARVIN RUNYON
CHAIRMAN
Board of Directors

FISCAL YEAR 1992 BUDGET INFORMATION REQUEST

REQUEST. Increases or decreases, by appropriation line item, between the fiscal year 1991 appropriated level and the requested level of funding and personnel for agency programs in the fiscal year 1992 budget. Please discuss the rationale for the changes.

RESPONSE. In 1991, Congress appropriated $135 million to TVA. In 1992, the proposed budget is $91 million. This represents a 32-percent reduction in TVA's appropriated budget. The funding changes and personnel by appropriation line items are shown in the summary below.

	Funding ($000's)		
	1991 budget	1992 Pres. budget	Change
Stewardship	$65,815	$60,419	$-5,396
Water and Land	13,123	4,935	-8,188
LBL	3,388	2,891	-497
Rural Development	19,674	—	-19,674
NFERC	33,000	23,021	9,979
Total	$135,000	$91,266	$-43,734

All Rural Development programs, including general economic development projects and the Agricultural Institute, would be eliminated. This would be devastating to the region's economy in the long-term, creating new and additional economic problems for local, State, and Federal Governments and the private sector. The Tennessee Valley region would fall farther behind in its efforts to gain economic parity with the rest of the Nation and recent advances in rural development, waste, and education would cease.

Funds for Water and Land projects would be cut by more than one-half. Activities such as investigations of the need for new locks, navigation-related system improvements, community flood damage reduction assistance, environmental education, and air resources enhancement efforts essentially would be eliminated. Several others, including recreation, would be curtailed.

A 28-percent reduction in funding for the NFERC would slow efforts to develop and introduce economical and environmentally superior fertilizers and fertilizer use practices. It also would curtail promising research focused on solving environmental and waste problems associated with agricultural, industrial, and municipal operations.

LBL would experience a 15-percent budget cut, forestalling construction of additional facilities and compromising its basic mission. Instead of serving as a national model for providing quality outdoor recreation and environmental education, LBL would become a limited recreation area. This would affect future visitation levels and the revenue generation potential of LBL.

A reduction of 200-300 employees is estimated for the requested level of funding.

Request. Increases or decreases that are proposed in user fees or revenues to support program objectives.

Response. TVA has taken several steps to increase revenues. For example, the visiting public now pays a greater share of the cost for quality programming and facility construction at Land Between the Lakes (LBL). By implementing new fees and increasing existing ones, annual revenues have increased more than threefold—from $738,000 during fiscal year 1981 to a projected $2,245,000 during fiscal year 1991. Although LBL continues to pursue new partnerships, as well as cost-sharing and other revenue-producing arrangements, essentially all potential sources of revenue under existing authority are being used. Market constraints will not permit further fee increases without adversely affecting visitation and total revenue collections. Future revenue generation is contingent on development of new attractions at LBL or major improvements in the quality of facilities, programs, or services.

At our National Fertilizer & Environmental Research Center (NFERC), we have increased revenues by vigorously marketing our programs and technical assistance to the private sector. We charge for publications and for technical assistance to industry firms who want this service. We also have changed our patent-license policy to allow us to charge for use of NFERC technology. In addition, reimbursable work with other agencies, such as the Departments of Defense and Energy, has increased substantially.

Request. Necessary or contemplated legislative initiatives to implement the agency's fiscal year 1992 budget request or program objectives.

Response. From the Resource Group's perspective, there are none.

Request. Recissions, deferrals or supplementals proposed for fiscal year 1992.

Response. From the Resource Group's perspective, there are none.

RESPONSES TO QUESTIONS FROM SENATOR CHAFEE

Question. Please detail the impact of the recently enacted amendments to the Clean Air Act on TVA's operations. How has TVA responded thus far to the new law?

Response. Initial estimates indicate that plant modifications to fully implement the Clean Air Act Amendments could cost as much as $1.7 to $1.9 billion. These modifications will also require increases in operating costs due to reduced plant efficiency, additional staffing, and possible increased fuel cost. The total impact of the Amendments will not be known until a final compliance strategy is developed and associated costs evaluated.

In addition to SO_2 compliance studies, we have initiated low-NO_x burner projects for our Phase 1 affected units and have begun a test program to assess the accuracy and reliability of stack gas flow monitors, required equipment for which no suitable industry operating data exists.

Question. What is TVA's current relationship with the Federal Financing Bank?

Response. TVA and the Federal Financing Bank (FFB) have a letter agreement stating the FFB will finance up to $2 billion in short-term borrowings until October 1991.

○